

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

STOCK MARKETS

The bull that should be a bear

Page 12

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Wednesday February 13 1991

World News Business Summary

Military arm of Warsaw Pact to break up by April

The Warsaw Pact, the most powerful remaining institution of the international communist system, will be dissolved by April on the express wish of President Mikhail Gorbachev.

The break up of the military arm of the pact ends months of intense speculation about its future role. Page 14

Mandela trial doubt

The kidnap and assault trial of Mrs Winnie Mandela hung in the balance after two men who said they were beaten by her refused to testify after another witness disappeared.

Dissidents jailed

China sentenced two dissidents to 13 years in prison, the heaviest sentences so far against alleged leaders of pro-democracy protests crushed in 1989. Page 4

Peru fights epidemic

Peru unveiled emergency measures to control a cholera epidemic which has claimed more than 70 lives and infected at least 8,500 over the past fortnight.

US clinic wins case

A US jury ordered 34 anti-abortion campaigners to pay \$8.2m in damages for locking a Oregon clinic's doors during a demonstration two years ago.

Paris bombing

A bomb exploded outside the Paris home of the late French president Georges Pompidou, but no one was injured.

Dublin breaks ice

Ireland tabled new proposals in an attempt to break the deadlock preventing the opening of formal talks on the political future of strife-torn Northern Ireland. Page 6

SA talks accord

President F.W. de Klerk and African National Congress deputy leader Nelson Mandela resolved a dispute that threatened to derail talks on the armed struggle against apartheid. Earlier report, Page 4

Quake hits Turkey

A strong earthquake rocked Istanbul, shaking buildings, rattling windows and sending residents fleeing their homes in panic.

Taylor files in

Liberia's main rebel leader, Charles Taylor, arrived in Togo for a summit meeting that may decide whether a ceasefire holds or war resumes in his West African country.

Arms sales curbed

Hungary promised tighter controls on arms exports after disclosures that its weapons makers supplied 10,000 machine guns to Croatian separatists in Yugoslavia.

Brazil bank raid

Brazil television reported that 20 men armed with pistols and machine guns robbed a northern region bank of \$12m, the country's biggest raid ever. Page 4

Mozambique attack

Mozambique rebels on Friday attacked a military-protected convoy carrying food to refugees, killing 38 government soldiers and seven civilians.

Pilots executed

Iran executed two air force pilots on charges of spying for Israel.

Philippines offer

The Philippines told the US how much it wants the Americans to pay to continue using six military bases on its soil after their lease expires in September.

Financial Times

We regret that distribution of the Financial Times is being disrupted in many European countries as a result of the current adverse weather conditions.

Bonn plans DM10bn aid rise to east Germany

Mr Jürgen Möllemann, new German economics minister, proposed a 10-point plan for eastern Germany which would cost at least an extra DM10bn (\$6.7bn) this year as evidence mounted of economic collapse in the region.

The Bonn Finance Ministry also announced that the east German states and local authorities, many threatened with bankruptcy, would receive a further DM5bn in emergency aid. Page 14

MARKETS

In New York, the Dow Jones Industrial Average was down just 2.23 at 2,900.00 at 1pm as shares recovered from early lows. Frankfurt DAX index opened at the day's high of 1,486.42 and slipped steadily to close 19.80 lower at 1,468.94. Paris turned lower as bond futures fell and hopes of a short recession in the US.

The Nikkei average closed at 24,935.01, up \$38.93 or 2.5 per cent from Friday's finish, having been closed on Monday.

World Stock Market reports, Back Page, Section II

BUNDESBANK

joined other central banks in an "act of solidarity" to support the dollar after earlier remarks by Helmut Schlesinger, deputy president, suggested that the German central bank was not in favour of intervention to support the currency. Page 6

SHORTAGE

of skilled workers in Europe is reducing economic growth and undermining the EC's competitive position, says a report for the European Community. Page 6

GOODYEAR

US tyre company, suffered a \$38.3m loss for 1990 compared with a 1989 net profit of \$207m. Page 15

ELKEM

Norwegian light metals producer, announced a pre-tax loss of Nkr650m (\$115m) for 1990 before year-end allocations, compared with a Nkr1,050m profit in 1989. The company is to pass its dividend. Page 15

FOKKER

Dutch aircraft maker, is to cut 1,000 jobs and delay resumption of dividend payments, reflecting problems caused by the continued weakness of the dollar. Page 16

ASIA Pacific Breweries (APB)

jointly owned by Heineken of the Netherlands and Fraser and Neave, Singapore soft drinks group, has set up a joint venture, in which it holds 54.4 per cent, with Brierley Investments (BIL) to control Magnum Corporation. Page 19

ALCAN

Aluminium, 73 per cent subsidiary of Alcan Corporation of Canada, blamed low aluminium prices and high production costs for a loss of \$513.3m (\$10.35m) for the year to December, compared with a profit of \$563.8m. Page 19

UNISTYS

US computer company, is suspending payment of dividends on its preferred stock, saving about \$120m per year. Mitsui Corporation of Japan acquired \$150m worth of Unistys preferred stock last June. Page 19

ALEXANDER & Alexander

world's second largest insurance broker, reported after-tax profits of \$20m in the final three months of 1990, compared with \$18.7m in the same period a year ago. Page 19

SEARS

Roeback, the US, world's biggest retailer, is to take more measures to cut costs by eliminating 33,000 jobs by the end of the year, about 9,000 more than previously announced. Page 19

GOLDMAN Sachs & Co

and the Industrial Bank of Japan announced the launch of a new bond index for the Japanese government market. Page 20

Saudis seek foreign loans to fund war effort

By Victor Mallet in Riyadh and Stephen Fidler in London

SAUDI ARABIA has begun negotiations to borrow money abroad to help fund the multinational war effort against Iraq, senior western diplomats and bankers say.

If a deal was reached, it would apparently be the first such international borrowing by the kingdom. Saudi Arabia participates extensively in financial markets but is sensitive about the payment or receipt of interest because Islam frowns on usury.

A senior western diplomat told reporters yesterday that Saudi Arabia had spent or committed some \$48bn on the war in the Gulf, but had gained only \$12bn to \$15bn from the windfall of higher oil prices and increased production since August last year. It had only \$10bn of liquid reserves at the start of 1990.

Saudi Arabia's western allies, conscious that the oil-rich Gulf states are prone to criticism for not contributing enough cash to the war, are attempting to show that the Gulf is in fact making substantial contributions.

"Everything the US has asked for the Saudis have provided or committed - sometimes with a large, audible gulp, but they have met every request," said the diplomat yesterday. "I don't think there is heavy borrowing to date. I think there is heavy borrowing in progress."

Saudi Arabia's contributions include a commitment of \$13.5bn for the US war effort in the first quarter of this year, aid to countries affected by the crisis, fuel and other assistance to members of the alliance based in Saudi Arabia, and its own military spending.

Officials at Middle Eastern banks said that no formal fund raising among international banks was in progress. They believed the Saudis would in the first place turn to their own banks, which have large foreign assets.

Pavlov accuses western banks of anti-Soviet plot

By Quentin Peel in Moscow

MR Valentin Pavlov, the newly appointed Soviet prime minister, yesterday accused unnamed western banks of trying to destroy the Soviet economy and overthrow its government.

His extraordinary claim was combined with an intemperate attack on western businesses which have invested in joint ventures, suggesting that many were blatant speculators, "the shadow dealers of the western economy... the dregs of their entrepreneurs."

He said they planned to pour secret hoards of excess roubles back into the system in order to cause hyper-inflation in the Soviet economy. This could have led to the overthrow of President Mikhail Gorbachev and a takeover of the government by "advocates of swift privatisation," ready to sell the country's assets to the highest bidder.

At the same time Mr Pavlov, who was appointed by Mr Gorbachev as his new premier only last month, spoke out a new conservative economic reform strategy, involving forced modernisation of heavy industry, strictly limited privatisation and substantial compensation to be paid in advance for future price rises.

His full-page interview, in the trade union newspaper, was greeted with astonishment and derision in the western business community in Moscow, where it was seen as a desperate effort to defend last month's unsuccessful and unpopular money reform.

Yet it mirrors repeated claims by the KGB, the Soviet secret service, that western plots are under way to destabilise the Soviet economy - in conjunction with Soviet businessmen and radical democrats dedicated to economic reform.

Mr Pavlov, who as finance



Soviet premier Valentin Pavlov: conservative approach to reform

minister last year was responsible for printing Rbs40bn in cash - more than double the Rbs10bn planned - in order to help finance a Rbs90bn budget deficit, said the entire money reform was aimed at protecting Soviet citizens, not confiscating their savings.

The reform amounted to the instant abolition of Rbs50 and Rbs100 banknotes, and their forcible exchange for new money, subject to proof of legal earnings. The big banknotes are the main form of domestic savings for millions of ordinary families and pensioners.

Questioned on the scale of the operation, given that Rbs40bn of the Rbs48bn cash in circulation in the big banknotes has been handed back to the Soviet state bank, Mr Pavlov said: "I have no right to speak about this now, because the financial war declared on us is still going on... You cannot disclose to your enemy everything you know about him."

He said the Soviet authorities were aware of "attempts to resell bills in Soviet cash, through Germany to Switzerland, and through Hungary to Luxembourg and the Netherlands."

The plan was to cause "artificially created hyper-inflation." Its aim was to overthrow untrustworthy political figures, President Gorbachev was getting in somebody's way now.

He even suggested that the plot might have something to do with the war in the Gulf.

The tone of the Pavlov interview, which was submitted for his comments and corrections before publication, was politically conservative as well as xenophobic.

He said that "ultra-radicals" in the Soviet republics would see a benefit from destruction of the rouble, helping them establish their own independent currencies.

Then, "advocates of swift privatisation might have carried it out in conditions of rising inflation, in such a way that our country would be sold off very cheaply."

"I will say it even more sharply: the loss of economic independence threatened us, a kind of annexation, creeping and bloodless."

Radical route ruled out, Page 6; Warsaw Pact to be dissolved, Page 14

BA and Sabena revive efforts to form partnership

By Paul Betts in London and David Gardner in Brussels

BRITISH AIRWAYS and Sabena have revived their attempt to form a partnership to create a new European airline hub in Brussels as the world airline industry crisis deepens.

Carriers yesterday reported increasing losses and job cuts, an intensification of the transatlantic fares war, and more airlines postponed deliveries of new aircraft on order.

Mr Pierre Godfrid, Sabena's new chairman, confirmed the airline was negotiating with BA "a very concrete proposal" for a strategic link-up. He said the talks "would already have been positive had it not been for the Gulf war".

Mr Godfrid said Sabena's programme under its new chairman, and growing reluctance on the part of BA to invest in a Sabena subsidiary.

Both Sabena and BA indicated yesterday that no firm agreement was likely to be reached soon. BA is currently deep in its own restructuring programme involving 6,600 job reductions and other sweeping cost-cutting measures.

BA said yesterday that it was deferring delivery of five Boeing 767 aircraft due to join its fleet this year as part of its overall clamp-down on costs.

Qantas, the Australian international flag carrier, also said yesterday that it was planning to postpone delivery of new aircraft this year.

Lord King, BA's chairman, also attacked the current airline industry's regulatory environment which was causing concern at a time when the airline was attempting to survive the recession.

"Too many people in this country view competition as extending no further than the White Cliffs of Dover," he said.

"We operate in an international industry. A flock of British sparrows will not stand much chance against the onslaught of American eagles."

Continued on Page 14 Background, Page 8

US economic forecast helps to stabilise \$ on world markets

By Rachel Johnson in London and Michael Prowse in Washington

THE WHITE HOUSE yesterday sought to prop up the dollar with upbeat statements about the US economy after 14 central banks had again been forced to intervene on the foreign exchanges to support the currency.

Mr Michael Boskin, the White House chief economic adviser, said in this year's Economic Report of the President that the economy should rebound out of recession by the middle of this year.

The report is optimistic about short and long run economic prospects. He forecasts a shallow recession by post war standards with growth resuming this summer. Unemployment peaks at 6.6 per cent, only fractionally above current levels.

A sharp improvement in US labour productivity, towards levels last seen in the 1960s, is seen as underpinning a resumption of robust growth from 1992 onwards. Growth is also supported by better fiscal discipline and a steady fall in the budget deficit.

Mr Boskin also said the Fed-

eral Reserve, the US central bank, might need to revise its monetary targets for 1991. The report warns the Fed that a fall in interest rates during a recession may reflect a declining demand for credit rather than an easing of monetary policy.

The monetary aggregates hardly grew in the last quarter of 1990 and Mr Alan Greenspan, the Fed chairman, has been criticised for not acting aggressively to combat the recession.

The Administration's broadly positive forecast gave an anchor to the dollar but arrested this week's rally on Wall Street - which has been partly triggered by the expectation that the Federal Reserve would cut interest rates.

At mid-session, the Dow Jones Industrial Average was down 9.90 at 2,892.33, in sharp contrast to the 71-point surge on Monday.

Central banks started buying the dollar in concerted rounds of intervention last week. Yesterday's round of intervention was publicly led by the Bundesbank, helping to correct

the impression given the day before that the Germans were opposed to supporting the US currency.

The Bundesbank did not intervene yesterday morning as the dollar was set at a new all-time low of DM1.4535 in Frankfurt. But it then surprised dealers by spearheading the round of dollar intervention, which began at the start of European trading immediately after the fixing. This gave foreign exchanges a clear signal that the Bundesbank was continuing to play an active role in market management.

The dollar closed in London at DM1.4530 after DM1.4450 on Monday.

The Bank of England also bought dollars for D-Marks, helping sterling to close firmer at DM2.8850, after a previous DM2.8875.

The FT-SE 100 share index reversed a sharp gain on Monday to close down 14.5 at 2,264.5. Rates on the London interbank market rose slightly. Three-month money was traded at 13 1/4%.

US details, Page 4



Believe it or not Vladimir makes the same business decisions as you.

It is hard to imagine a business environment more different than Vladimir's Russia.

But business is business wherever you are. And Perestroika has meant so many changes - even the introduction of the latest computerised office technology.

Star Micronics now exports printers to Russia. They are the same machines used everywhere else in the world. And they do the same jobs.

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CONTENTS	
Sweden: Lowering barriers in search of investment	5
Eastern Europe: Soviet troops continue the march home	8
Management: Doing business in Taiwan	10
Technology: CFCs get the cold shoulder	10
Editorial comment: Airlines in crisis; Charming the other Europeans	12
Merger activity: A grey area in need of clarification	13
Low Airlines: Reuter, Amstrad, Germany	14
Europe	8
Companies	19
America	4
Companies	16
International	4
Companies	20
World Trade	5
Britain	8-9
Companies	22-23
Asia Pacific	11
Companies	32
Crossword	32
Currency & money	32

NASDAQ draws hope from an unhappy beginning to the year	
Joseph Hardiman, president of the National Association of Securities Dealers, is quietly confident that the association's London trading facility, Nasdaq International, will be allowed to open for a pilot period	21
Editorial Comment	12
Financial Futures	24
Gold	25-26
Int'l Capital Markets	24
Letters	24
Lex	24
Management	16
Observer	12
Stock	24
Technology	10
Unit Trusts	28-31
World Index	36

MARKETS	
STERLING	DOLLAR
New York lunchtime: \$1.993 (1.9968)	New York lunchtime: DM1.4527
London: \$1.992 (1.9975)	FF4.9515
DM2.885 (2.8875)	FF1.2452
FF4.965 (4.9425)	Y126.3
FF2.48 (2.4875)	DM1.453 (1.445)
Y255.5 (255.00)	FF4.9525 (4.9275)
£ index 94.3 (94.2)	FF1.2445 (1.235)
GOLD	Y126.25 (127.7)
New York: Comex Apr \$370.3 (369.0)	£ index 99.4 (99.3)
London: \$369.25 (367.75)	Tokyo close: ¥127.7
£ SEA OIL (Argus)	US benchmark rates
Brent Apr \$19.425 (19.5)	Fed Funds 6 1/4 %
3-mo Treasury Bill: 5.99%	Long Bond: 9 1/2 %
Chief price changes yesterday Page 15	yield: 7.94%

STOCK INDICES	
FT-SE 100: 2,264.5 (-14.5)	FT Ordinary: 1,781.1 (-12.6)
FT-A All-Share: 1,085.46 (-0.4%)	New York lunchtime: 2,900.0 (-2.23)
S&P Comp: 368.57 (-0.01)	Tokyo: Nikkei 24,935.01 (+638.93)
3-month Interbank: closing 13 1/4 % (13 1/4 %)	Mar 92\$ (92.2)

مكتبة الأصيل

THE GULF WAR

Allies launch land, sea and air barrage

Air attacks leave Iraqi army short of fuel

By Victor Mallet in Riyadh

THE ALLIES yesterday staged the largest combined operation of the war, launching a massive air attack on Iraq. The complex action involved US Marines aircraft, Saudi multiple rocket launchers, British artillery and the big guns of the USS Missouri, a military spokesman said.

Iraqi tanks, artillery pieces and troops were attacked in what military spokesmen described as a successful test of co-ordination. No further details were immediately available.

As preparations continued for a possible full-scale land war to liberate Kuwait, US officials reported an aerial attack on a convoy of between 25 and 50 vehicles in southern Kuwait on Monday night.

Allied aircraft continued their hunt for Scud missile launchers after the firing of three Scuds on Monday night, two at Israel and one at Saudi Arabia, and pilots reported the possible destruction of three mobile launchers in western Iraq. In the east, a US pilot saw a Scud explode on its launcher, apparently because of a malfunction rather than an allied raid.

A US F-15 shot down an Iraqi helicopter in northern Iraq, while British Tornados and Jaguars attacked pontoon bridges, hardened aircraft shelters and Iraqi multiple-rocket launchers.

Allied military commanders said that one reason for hitting river bridges in Baghdad was because they carried communications cables. They also confirmed that they were attacking Iraqi radio and television broadcasting facilities.

Coalition Arabs to discuss post-war era

By Max Rodenbeck in Cairo

ARAB foreign ministers from countries supporting the anti-Iraq coalition will meet in Cairo on Friday to discuss post-war security in the Gulf.

Nine countries are expected to be represented at the two-day conference, including members of the Gulf Co-operation Council and Egypt, Syria and Morocco, which have all contributed troops to the coalition. Kuwait's government-in-exile will also attend.

Topics likely to be discussed include the creation of a permanent Arab defence force in the Gulf built around existing forces. Arab leaders have stressed the need for self-reliance in the future, with a limited western role.



THE GULF WAR

"If it's part of the national command and control system, it for example a known antenna system is broadcast from the leadership to the military commanders or the populace at large, yes then it's a target," said one US officer.

"There are some radio stations that only broadcast music and we don't touch them."

Saudi Arabia announced that one of its soldiers had been killed by a booby trap in the border town of Khafji, which was briefly occupied by Iraqi troops. Three Saudis and three Kuwaitis were injured.

As Iraqi deserters trickled across the front lines, the US supported Saudi claims that there were Iraqi death squads killing deserters and soldiers who listened to foreign radio broadcasts.

A senior western diplomat said several groups of people had been arrested in Saudi Arabia to pre-empt possible terrorist attacks, in addition to the six held on suspicion of involvement in a recent shooting incident in Jeddah. Attempted terrorism was being directed from abroad, he said.

THE TIMING of a land attack will depend upon the gradual attrition of the Iraqi war machine. Allied commanders must decide when the Iraqi forces have been so damaged that victory, with as few coalition casualties as possible, is assured, writes Paul Abrahams.

At sea and in the air, at least, the coalition appears to have already won the battle. Yesterday, Commander Chris Craig, commander of British naval forces in the Gulf, claimed that the allies had achieved "almost total domination of the Gulf waters." In the air, the coalition declared air supremacy on January 30.

However, before the allies attack on the ground, they need to reduce yet further the potency of the Iraqi army. With more than a million men, it is the world's fourth largest - and larger than the US army.

Yesterday, American military sources said the Iraqi army had now stopped operating as a national army and was only capable of working in small pockets.

They suggested a ground attack would not take place until the Iraqi army's fighting capability has been reduced by 50 per cent.

In strict military terms, the coalition remains some distance from that figure. The Americans claim the allies have so far destroyed:

- More than 750 of Iraq's 4,000 tanks (18 per cent).
- More than 850 of Iraq's 3,200 artillery pieces (26 per cent).
- More than 600 of Iraq's 4,000 armoured personnel carriers (15 per cent).

In addition, the ability of the Iraqis to defend will also depend upon the extent of the degradation of their communications, command and control systems. If these have been severely damaged, the ability of the Iraqi army to co-ordinate their defence may be

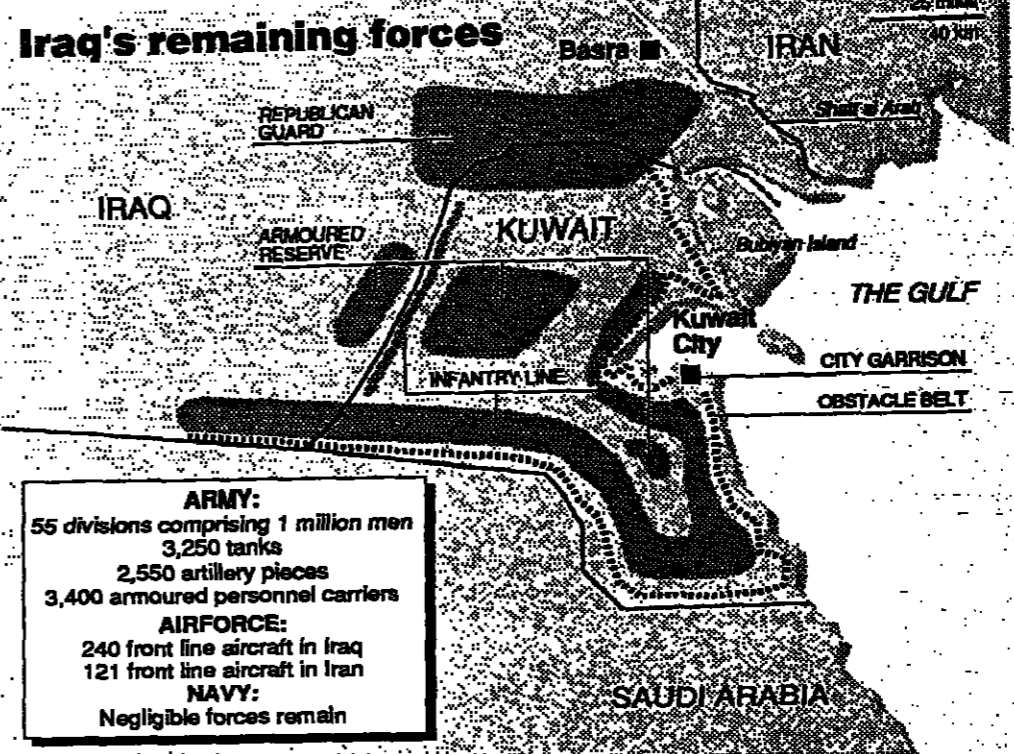
severely affected. Finally, allied sources have suggested that the Iraqis' equipment may also have been adversely affected by the immobility required to protect it from coalition bombing.

Away from maintenance facilities and not having started their engines for fear that their heat signature could be detected by allied aircraft, the Iraqis could discover their tanks and armoured personnel carriers require considerable

attention before they can move into battle. The safety of immobility may have a price, argue the allies.

However, this view is questioned by Mr Henry Dods, editor of Jane's Soviet Intelligence Review, who argues that Iraqi armour could still pose a threat.

Mr Dods points out that their Soviet-made tanks are crude but efficient. They are, he explains, designed to be operated by troops who are



ARMY:
55 divisions comprising 1 million men
3,250 tanks
2,550 artillery pieces
3,400 armoured personnel carriers

AIRFORCE:
240 front line aircraft in Iraq
121 front line aircraft in Iran

NAVY:
Negligible forces remain



ALIVE: An Israeli survived a Scud attack early yesterday, his head protruding from rubble after his home was demolished by the Iraqi missile. His gas mask was still around his neck. He suffered only minor injuries.

Missile attacks test Israeli patience

By Hugh Carnegie in Jerusalem

ISRAELI yesterday signalled mounting impatience over Iraq's ability to strike with Scud missiles as Mr Moshe Arens, the defence minister, returned from talks in Washington.

"If today we exercise restraint, it does not necessarily mean that we shall do so tomorrow," said Mr Yitzhak Shamir, the prime minister, referring to Israel's decision so far not to launch a military counter-strike against Iraq.

He was speaking after the 32nd and 33rd Scuds fired at Israel from western Iraq since the outbreak of the Gulf war.

Only seven people were injured, but almost 200 apartments were damaged, bringing to 7,500 the number of homes damaged in the series of attacks. Four people have been killed and more than 300 wounded in the attacks.

Mr Arens stressed the need to wipe out the missile threat during a series of meetings with President George Bush, Mr Richard Cheney, defence secretary, Mr James Baker,

secretary of state, and other officials in Washington. He also conveyed the Israeli government's view that its forces could contribute to the task, given proper co-ordination with allied air forces.

Israel has not participated in operations to eliminate Scud launchers, to avoid destabilising the anti-Iraq alliance. But it is afraid Iraq might still have the capacity to launch a chemical attack, possibly when allied troops move to a ground offensive against Iraqi forces in Kuwait.

"It is important that they [the US] understand that it is not simple to restrain ourselves in these circumstances," Mr Arens said after his talks in Washington.

One side-effect of his visit was the cancellation yesterday of a scheduled trip to Washington later this week by Mr David Levy, the foreign minister, who was due to see Mr Baker.

Mr Levy, who has been talking recently of the need to discuss possible post-war regional peace moves, was evidently upset at being excluded from high-level contacts arranged for Mr Arens.

It is expected that Saudi contributions will total about \$200m by the end of March. The British government has been discussing the possibility of financial support for its effort with a number of countries. It is believed Hong Kong may soon announce a small contribution.

Last week Mr Mellor told a parliamentary committee that Britain was seeking more support from the Saudi government and expected to receive a "legitimate share" of \$9bn promised by Japan late last month for the allied war effort.

A senior western diplomat said it was clear the Iraqi objective was "an opportunistic and unscrupulous attempt to embarrass Mr Pérez de Cuéllar."

He added that "this is not a big deal, coming from the government that was so particular about diplomatic niceties that it would not even accept the letter from President Bush."

UN chief plays down leak of transcript

By Alan Friedman in New York

THE United Nations sought yesterday to play down Iraq's leaking of a transcript of the meeting between Mr Saddam Hussein and Mr Javier Pérez de Cuéllar, the secretary general.

Mr Ramadani's call came as up to 6,000 in the south Jordan town of Karak marched against the war. Protesters, some bearing Iraqi flags and many carrying large mock Scud missiles, burned an effigy of President Bush and declared western and some Arab leaders.

The town was the scene in 1188 of Saladin's great victory over the Crusaders. "It is the same fight against the unbelievers today," said one young demonstrator.

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Jordan to buy oil from Syria and Yemen

By Mark Nicholson in Amman

JORDAN has finalised deals to buy crude oil and refined petroleum products from Syria and Yemen to replace lost supplies from Iraq, which have been disrupted by allied attacks on Jordanian tankers.

Syrian officials said yesterday they had agreed to sell Jordan crude oil and refined products, in amounts to be decided on a monthly basis, depending on Jordan's ability to transport the oil and pay for it.

The price agreed on was not disclosed yesterday, but is expected to be close to market prices. The oil will be trucked to Jordan this month to test its suitability for the kingdom's Zarga refinery.

Syria produces about 490,000 barrels a day of heavy and light crude and consumes about 180,000 b/d. The remainder has been sold on spot markets.

Jordan, which last week sent senior officials to Damascus to finalise the deal, had been importing its oil from Iraq, mostly as repayment in kind for debts incurred during the 1980-1988 Gulf war. The kingdom is expected to pay for the Syrian oil from reserves.

Jordan also said yesterday it would buy 100,000 tonnes of crude from Yemen, also at market prices. The oil will be shipped to Jordan's sole sea port, at Aqaba on the Red Sea.

Oil supplies to the kingdom, which consumes some 60,000 barrels a day, had dwindled to 500 b/d after allied air raids on supply routes from Iraq in the past two weeks.

Local economists estimate, however, that stringent fuel economy measures, including limits on the use of private cars, have cut Jordan's consumption to less than 40,000 b/d.

The number of tankers making the run into Iraq has also risen considerably from a low point last week of eight or nine tankers a day, compared with normal traffic of 200 tankers. At least 30 tankers have been making the trip daily in the past few days.

UAE pledges \$500m toward British costs

By Peter Norman, Economics Correspondent

THE United Arab Emirates has agreed to pay \$500m (\$250m) towards Britain's costs in the Gulf war, bringing the total value of support promised by other nations to about \$1.4bn.

The contribution was announced yesterday by Mr David Mellor, chief secretary to the Treasury, who visited the UAE earlier this month.

The UAE's contribution follows recent pledges of about \$275m from Germany and \$500m from the government-in-exile of Kuwait. Saudi Arabia has provided fuel and equipment worth between \$120m and \$150m for the British forces under a host-country support arrangement.

It is expected that Saudi contributions will total about \$200m by the end of March. The British government has been discussing the possibility of financial support for its effort with a number of countries. It is believed Hong Kong may soon announce a small contribution.

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A senior western diplomat said it was clear the Iraqi objective was "an opportunistic and unscrupulous attempt to embarrass Mr Pérez de Cuéllar."

He added that "this is not a big deal, coming from the government that was so particular about diplomatic niceties that it would not even accept the letter from President Bush."

Mr Ramadani's call came as up to 6,000 in the south Jordan town of Karak marched against the war. Protesters, some bearing Iraqi flags and many carrying large mock Scud missiles, burned an effigy of President Bush and declared western and some Arab leaders.

The town was the scene in 1188 of Saladin's great victory over the Crusaders. "It is the same fight against the unbelievers today," said one young demonstrator.

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NEWS IN BRIEF

Two Jordanian men executed for spying

JORDAN announced yesterday it had executed two men for spying for Israel, the first such executions for 30 years, writes Mark Nicholson in Amman.

The two men, a low-ranking air force officer and his friend, a truck driver, were found guilty of high treason and hanged on February 3, the Jordanian news agency, Petra, said.

Jordanian officials said the young airman had been recruited to Mossad, the Israeli secret service, by a young Israeli woman posing as an American.

Russians on Iraqi airwaves

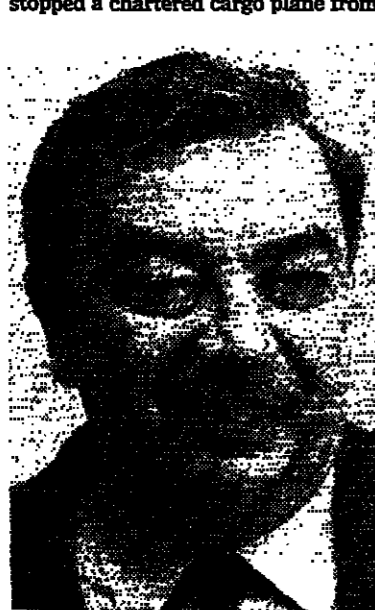
Allied electronic eavesdropping services in Saudi Arabia have intercepted a number of conversations in Russian on Iraqi military radio frequencies, according to Liberation, the French newspaper, writes George Graham from Paris.

The conversations have been recorded down to battalion level, suggesting a considerable number of Russian military advisers could be with the Iraqi armed forces, Liberation says.

German equipment for Turkey

Germany said yesterday the US had agreed to divert a heavy cargo aircraft from its war supply-line to the German air defence equipment to Turkey, Reuters reports from Bonn.

But a spokesman said the US military was not sure when it could spare a C-5 Galaxy heavy transporter to airlift German missile launchers. Plans by Bonn to deploy anti-aircraft missiles and airmen have been stalled since Friday, after the Soviet Union stopped a chartered cargo plane from flying the launchers.



Yevgeny Primakov: 'nothing to tell'

Soviet Union's peace initiative makes little headway

By Our Middle East Staff and Laura Silber in Belgrade

RENEWED Soviet efforts to persuade President Saddam Hussein of Iraq to implement UN resolutions by withdrawing from Kuwait appeared to make little headway yesterday.

There was equally little sign of progress in Belgrade, where foreign ministers from 15 non-aligned countries failed to adopt a plan for the resolution of the Gulf crisis. Fresh divisions emerged between delegates on future steps to end the conflict.

Mr Yevgeny Primakov, the personal envoy of Soviet President Mikhail Gorbachev, is in Baghdad awaiting talks with Mr Saddam. Returning after a three-hour absence from his hotel yesterday, Mr Primakov said: "I have nothing to tell, I saw nobody."

In Moscow, Mr Roland Dumas, the French foreign minister, was preparing for talks with President Gorbachev, during which the Soviet leader was expected to voice again his concern about civilian casualties and extensive damage to Iraq's infrastructure caused by allied bombing.

Mr Vitaly Ignatenko, Mr Gorbachev's spokesman, stressed there had been no change in the Soviet Union's commitment to the multi-national effort. "The Soviet Union still supports the US, but President Gorbachev is free to state his own convictions," he said.

Mr Ignatenko added there was no secret agenda for Mr Primakov's talks in Baghdad. He was there to demand Iraq's immediate withdrawal from Kuwait. "We have not

brought to Baghdad any secret protocols, any secret agreements," he said. "Our influence on Baghdad is very small."

Moscow had been Iraq's main weapons supplier until the invasion of Kuwait, and Soviet critics of President Gorbachev have complained he moved too quickly to align the Soviet Union with Washington. Hardline opponents accused the president of slavishly following the lead of US President George Bush.

A joint statement may be adopted by the non-aligned foreign ministers at the close of their two-day session, which has avoided direct mention of Iraqi withdrawal from Kuwait. According to Panjov, the Yugoslav news agency, the ministers said they supported "all relevant resolutions

from the United Nations Security Council".

Mr Budimir Loncar, Yugoslavia's foreign minister, presented a four-point plan, which upholds the Security Council's resolution 660. Mr Loncar offered a compromise, however, for Iraqi withdrawal from Kuwait and the restoration of its legitimate government followed by "the opening of the peace process in the region as a whole, and attending to the resolution of the Middle East crisis, particularly of the Palestinian issue."

Earlier speculation that Mr Ali Akbar Velayati, Iran's foreign minister, would push for support of his country's peace plan, which calls for an Iraqi withdrawal from Kuwait to coincide with a pullout of western

forces from the region, were not substantiated.

But Mr Velayati said: "Iran has maintained steady contacts with officials from Iraq, Kuwait and other countries in the region in order to stop the tragedy."

"But it has been impossible to propose any plan as each attempt has been rejected by one side or the other."

The meeting was attended by foreign ministers from Yugoslavia, India, Indonesia, Iran, Cuba, Ghana, Sri Lanka, Venezuela, Egypt, Argentina, a special envoy from the United Nations and observers from Palestine's delegation to the UN, the Arab League, and the 45-member Islamic Conference.

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THE GULF WAR

Cost of war forces France to cut budget

By Ian Davidson in Paris

MR Michel Rocard, the French prime minister, has demanded FF12bn (\$1.2bn) in provisional cuts in the national budget to meet extra war costs.

This represents a substantial safety margin over the direct budgetary costs of the war - estimated by the prime minister's office at between FF7.5bn and FF7.7bn, on the assumption of a "short" war.

The new figure of required savings would include higher indirect budgetary costs of the war, such as increased losses incurred by Coface, the French export credit guarantee agency, and inflated costs of servicing the national debt, through steeper interest charges.

When the FF12bn cutback figure first surfaced last week, Mr Pierre Bérégovoy, the finance minister, implied the saving would be a negligible amount in relation to the total 1991 budget of FF127.8bn.

In practice, it appears the budgetary effort will be more serious than that, as it will be concentrated on a fairly narrow sector.

Wage costs, which account for nearly half the national budget, will be exempted from the economy drive, as will the cost of servicing the public debt (FF150bn) and the defence budget (FF123.8bn).

As a result the spending ministries will be required to identify savings of 5 per cent in other ordinary expenditure,



Rocard: economy drive

subject to final arbitration next month by the Finance Ministry and by the Prime Minister's office.

The slowdown in the French economy is further reason for the scale of the prime minister's economy drive. With a probable growth rate of only 2 per cent this year, tax revenues are likely to be relatively sluggish, whereas the government is expected to channel substantial extra public money into job creation schemes, to hold down unemployment.

France's conservative opposition parties yesterday criticised President Mitterrand for publicly rejecting the use of chemical or nuclear weapons, saying this needlessly abandoned a psychological weapon of deterrence.

Perilous defence of the good life

Peter Bruce examines Spain's divided reactions to its role in the conflict

MR Pedro Ramirez is not fond of Mr Felipe Gonzalez, but even he now confesses a curious sympathy for the Spanish prime minister.

"If Felipe Gonzalez had known 11 years ago that an Arab country would have been subject to mass bombardment from Spanish soil, he would probably never have run for election," Mr Ramirez says.

He is editor of El Mundo, a new Spanish newspaper, and claims its strong stand against war in the Gulf has lifted circulation by up to 40 per cent since hostilities began. Spain remains one of the few large countries in the European Community where opinion polls still show a majority of people opposing the war against Iraq.

Even so, Spain has joined the war. For more than two weeks US Air Force B-52 bombers have been flying raids on Iraqi targets from the giant runway at Morón air base near Seville in the south, which the two countries jointly use.

The bombers are being escorted part of the way to and from the Gulf by Spanish fighters, based near Madrid, and their bombs are being transported by the Spanish Air Force.

The B-52 deployment has stunned an already angry country. As a measure of the premier's discomfiture, neither he nor the government will say a word about the aircraft. Spaniards, given little information through state-controlled television, are frightened.

They see the rush of Islamic fundamentalist sympathy for President Saddam Hussein - across the western Mediterranean in Morocco, Tunisia and Algeria - as a direct threat. Madrid is being pilloried in many Arab newspapers and in demonstrations.

Tension is high in Spain's North African enclaves of Ceuta and Melilla. It is assumed that any action against King Hassan in Morocco, if successful, would be turned on them. Units of the Spanish Foreign Legion are being shipped to the enclaves this week to reinforce the garrisons already there. From Tarifa in southern Spain, Morocco is just 14km away.

Mr Gonzalez has been persuaded to break his silence over the Gulf, and to try to justify Spain's involvement. He has been irritated by local opposition to the war - and by sniping from some allies, particularly the Italians, over what has been seen as Madrid's meagre contribution to the allied effort.

Spain wants to win a key post-war political role for itself, particularly in the Maghreb, but local politics would simply not tolerate - not yet - Spanish forces fighting in Kuwait.

Last weekend a Spanish senator was disciplined for having lamented the fact that Spain's three warships in the region were being kept away from the action.

The prime minister's early

efforts at persuasion have been hesitant and legalistic. One poll, before news of the B-52 deployment, showed opposition to the war at more than 70 per cent.

Cambio 16, the liberal magazine that ran the poll, was so struck by the result that it published an editorial headlined: "Does Spain Exist? It wondered what Spaniards would be prepared to defend, if not the oil that feeds their increasingly luxurious lifestyles."

That question had to be asked "repeatedly, in order that we Spaniards stop believing that our destiny on this planet is to enjoy, enjoy, enjoy - and that our problems can be solved by others. With this kind of patriotic baggage, one does not construct a country but a community of idle consumers."

However, determined pacifists such as Mr Ramirez insist: "Spaniards have realised that the war is out of all proportion to the ends it seeks to achieve". Spaniards still retain strong traces of Franco's isolationist legacy but, he adds, "this kind of war is not the way to try to



drag them out of isolationism". The shock of war is perhaps understandable. A remarkably consistent and placatory foreign policy has kept the country out of foreign wars since Madrid lost Cuba and the Philippines to the US in the Spanish American War in 1898.

A latent anti-American feeling in Spain was deepened by Washington's role in the 1950s in legitimising the Franco dictatorship.

"We don't have the same relationship with the US that the British do," says Mr Ramirez. "They have never come to our assistance." People running exchange programmes say some US students have been insulted in Spanish schools since the war started.

Spain and its people, though, seldom ask the hard questions of themselves. Franco survived because Spaniards tolerated him. Indeed, the Cambio poll showed that less than 3 per cent of the population would risk their lives in defence of their liberty.

Mr Gonzalez may be determined to stick to his guns and provide strong legislative support to the US, but his people are going to take more convincing than most of his European partners might appreciate.

Kuwaitis prepare for the ultimate oil disaster

Iraq has mined hundreds of wells. David Thomas and Jimmy Burns report on countermeasures being readied

PRESIDENT Saddam Hussein could seriously damage Kuwait's oil industry if retreating troops carry out his oft-repeated threat to blow up oil wells and refineries. However the Kuwait Petroleum Corporation (KPC) believes the damage can be contained if adequate fire-fighting resources are available.

Most of Kuwait's 1,300 oil wells have been rigged with explosives, according to oil engineers who left the country after Iraq's invasion. Bomb disposal experts say Iraqi army engineers would be capable of setting charges that would set the wells alight.

However, the scale of the fires would depend on the characteristics of individual fields and on the fire-fighting resources mobilised.

Mr Nabil Akel, a Lebanese-born engineer who worked in Kuwait until October for the Kuwait Oil Company, saw explosives attached to well facilities, known in the industry as "Christmas trees", in the Magwa and Burgan fields.

Burgan, with 460 wells, is the largest and most productive of Kuwait's oil fields. Mr Akel believes that at least 360 wells have been rigged with explosives in that area.

Mr Akel did not have first-hand experience of the northern fields, but friends had told him of seeing explosives rigged

to well-head facilities in the northern fields of Rumaila, Mutriha, Sabriya, and Abdali. The northern fields, together with the smaller fields around Kuwait City such as Khawshman, are heavily fortified with Iraqi troops, tanks, anti-aircraft guns and missiles.

KPC, which is operating from London, says that it has no definitive evidence of the extent of potential sabotage of its oil fields, but it has taken the precaution of retaining the

out if all the necessary resources are at hand. The government of Kuwait had ensured that adequate quantities of all of these resources would be available.

The second method is to cut off the flow of oil to the burning well by drilling a relief well and then pumping cement under high pressure into the burning well.

The KPC document says: "Once all the necessary drilling and cement pumping

The best way to blow up the fields would be to set charges as deep in the wells as possible and then ignite them at a distance

services of the world's leading oil-fire fighting companies.

A standard method of putting out an oil field fire is to explode a medium-sized charge of dynamite close enough to the burning well-head to blow the flame far enough from the head to extinguish the fire.

An internal KPC document, prepared in order to brief friendly governments, lists the resources needed to put out an oil field fire in this way as: "Experts, heavy motorised cranes, portable heat shields, water and fire pumps and the right type of explosives."

It says this approach needs only three to six days to carry

equipment is in place, controlling a fire by this method might require from one to four weeks." It believes it also has enough equipment to carry out this method.

KPC says that no sustained fires would be possible at 550 of its wells, because they lack the natural pressure in their underlying reservoirs for the oil to reach the surface. The oil reservoirs themselves cannot be ignited: it is only oil flowing to the surface under natural pressure which will burn.

The Wafra field on the border of the neutral zone with Saudi Arabia, for example, where fires were reported

shortly after the war began, lacks this natural pressure.

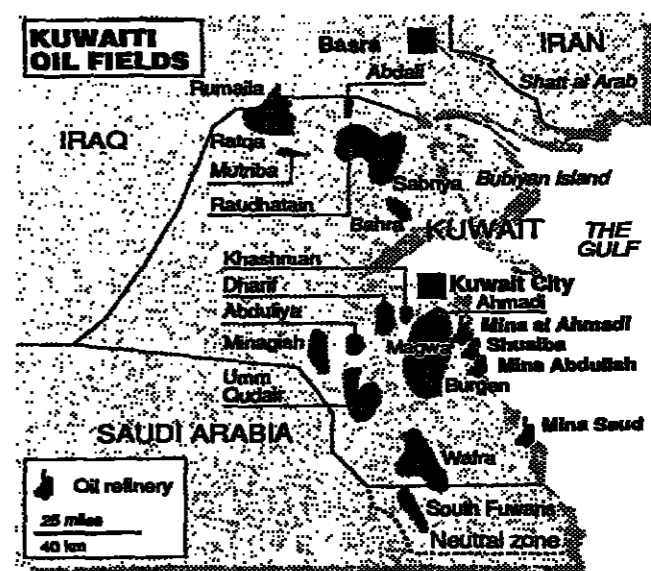
Well-head facilities are relatively small and therefore difficult to damage from a distance. The oil wells in Kuwait are spaced at one kilometre intervals on average, which KPC believes is sufficient to avoid damage by bombing raids or even by ground battles in the oil fields themselves.

However, there is little doubt about the ease with which explosives could be rigged to the well-heads. Mr Paul Jefferson, a bomb disposal expert, formerly with the Royal Engineers, who has cleared landmines from Angolan oil fields, says virtually any competent army engineer could set the demolition charges.

Mr Jefferson explains that the best way to blow up the fields would be to set charges as deep in the wells as possible and then to ignite them at a distance either through a timer or a firing cable.

Equally, making any unexploded charges safe would be a relatively straightforward bomb disposal job, Mr Jefferson says.

Difficulties would occur in putting out fires from any exploded wells, however, if the Iraqis had left booby traps. "They would probably booby trap a lot of the other installations, so that the allies would take casualties," Mr



Jefferson says. Other potential hazards could be sulphur-based toxic fumes which are produced by some fields, notably Minagish, according to Mr Akel. "When I was working in Kuwait, to be sent to that field was considered by us engineers as the equivalent of a death sentence," he says.

The Iraqis could also attempt to sabotage the three Kuwaiti refineries at Mina al-Ahmadi, Mina Abdullah, Shuaiba and Mina Saud and their associated crude oil tanks. The largest stockpile of oil would be in the tanks - up to 15m barrels.

However, KPC says there is a well-practised technique of pumping oil out from the bottom of burning tanks into tankers to reduce the amount of oil lost.

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مكتبة الوطن

AMERICAN NEWS

Michael Prowse assesses the US Economic Report of the President

Optimism blooms despite the downturn

THE US is fighting a war abroad and a recession at home. Yet this year's Economic Report of the President is decidedly optimistic. The downturn is portrayed as a temporary interruption to growth - a catching of breath after the hectic 1980s and a prelude to renewed prosperity later in the 1990s.

Mr Michael Boskin, White House chief economist, is sticking by his forecast of a short and shallow recession. He expects growth to resume by the middle of the year and unemployment to hit a peak of only 6.6 per cent - mild by the standards of previous recessions.

Gross national product is expected to increase by 0.5 per cent between the final quarters of 1990 and 1991, three times the rate of expansion in the previous 12 months. The improvement reflects an improvement in labour productivity from minus 0.1 per cent to plus 1.6 per cent. Consumer price inflation falls from 6.2 per cent to 4.3 per cent.

The report is banking on an early and successful resolution of the Gulf war. It downplays worries about the "credit crunch" - the apparent unwillingness of banks to lend - arguing that the Federal Reserve's sharp loosening of monetary policy will bolster consumer and business spending by the summer. Lower long-term bond yields are also cited as a bull factor likely to

spur increased investment. Meanwhile, the lagged effects of the steep decline in the dollar in the past 18 months improve the trade balance.

The report notes approvingly that industrial inventories are low, relative to sales, making a prolonged period of inventory liquidation unlikely. Big cuts in production are thus judged unnecessary. By the standards of previous recessions, inflation is also comparatively low, giving the Federal Reserve greater scope to cut interest rates and bolster demand.

This rosy short-term outlook is not out of line with many private-sector forecasts. Indeed, expectations of a rapid recovery led by lower monetary policy are fuelling the strong recent rally in the US stockmarket.

Recent economic data, however, have been uniformly discouraging. Consumer confidence plunged to a new low in January. The latest employment figures were among the bleakest since the 1981-82 recession, with 230,000 jobs lost last month alone. The January purchasing managers' index also fell sharply.

Mr Boskin's medium-term forecasts are also rosy. Real GNP is expected to grow by 3.6 per cent next year and by 3 per cent or more in each of the next four years. Inflation gradually declines to 3.3 per cent in 1996 while the unemployment rate falls back to just over 5 per cent. Short-term interest

ECONOMIC OUTLOOK FOR 1991			
Item	1990	1991	
	% change 4th quarter to 4th quarter		
Real gross national product	0.3	0.9	
Personal consumption spending	0.2	0.5	
Non-residential fixed investment	0.9	1.8	
Residential investment	-0.7	1.5	
Federal purchase of goods and services	5.5	-3.9	
State and local purchase of goods and services	2.5	1.6	
GNP implicit price deflator	6.2	4.3	
Consumer price index	-1.8	6.0	
Compensation per hour***	-0.1	1.6	
Output per hour***			
Unemployment rate (per cent)****	5.8	6.6	
Housing starts (millions of units, annual rates)	1.0	1.2	

1. Forecasts. 2. Preliminary. 3. For urban wage earners and clerical workers. 4. Non-farm business, all persons. 5. Unemployed as per cent of labour force including resident armed forces. Note: Based on seasonally adjusted data. Sources: Council of Economic Advisors, Department of Commerce, Department of Labour, Department of the Treasury, Office of Management and Budget.

rates stay at or below 6 per cent from 1992 - far lower than the average for the 1980s. A key assumption is that labour productivity growth - negative last year - rises to 1.9 per cent in 1992 and remains at that level thereafter. This is more demanding than it sounds: labour productivity growth averaged 0.7 per cent a year between 1973 and 1981, and 1 per cent between 1981 and 1990. The report is assuming a restoration of productivity trends almost to the levels of the prosperous 1950s and 1960s.

This reflects Mr Boskin's belief that the US now has credible, systematic and consistent fiscal and monetary policies. The 1990 Budget Enforcement Act cut the prospective budget deficit by nearly \$500bn over five years. It is also seen by the administration as imposing much tougher discipline on spending than the old Gramm-Rudman rules.

The report concedes that the headline budget deficit will rise sharply to \$318bn this year but argues this reflects special factors including the recession and the cost of savings and loan bailouts. Excluding S & L, the deficit is only slightly over \$200bn; adjusted for the economic cycle, moreover, it is already beginning to fall.

The Federal Reserve is

expected to pursue supportive monetary policies. This could require a re-assessment of this year's 2 1/4 per cent to 6 1/2 per cent target range for M2, which the president's advisers regard as tight.

Mr Boskin's report, while cogently written, can be criticised for underestimating the risks to the US economy. There is little about the credit crunch and financial fragility and scant recognition of the lack of competitiveness of many US industries. It may also be too optimistic on the federal spending trends - a 5 per cent cut as a share of GNP over five years - that underlies the reduction in the deficit.

The president's advisers say a shortage of resources is not the cause of educational problems. The US spent \$5.172 per pupil in 1989 - more than almost any other country. Spending per pupil has risen 28 per cent in real terms since 1982. However, the report draws attention to a short school calendar: US schools are open for only 180 days a year, compared with 226 to 240 in Germany and 243 in Japan.

The report notes that the high school drop-out rate has risen to 28 per cent. The proportion of higher education colleges obliged to offer remedial courses has risen from 79 per cent in 1980 to more than 90 per cent. High school students on average do only 3 1/2 hours of homework a week but watch 24 hours of television.

"If our financial institutions are to be among the strongest in the world, let alone if we are to avoid an extension of the taxpayers' obligation to even more institutions, we must increase capital requirements."

The Treasury's concern over capital standards reflects a broader difference of emphasis between the administration and the Federal Reserve. The Treasury's bank reform proposals specifically rejected any raising of capital standards. Instead it urged a strengthening of the role of capital through changes in regulations to provide more incentive for banks, both to maintain strong levels of capital

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Call for drastic changes in education

By Michael Prowse in Washington

THE generally optimistic tone of the US president's annual economic report is marred by a recognition of deep-seated failings in the US education system.

The report proposes three reforms to improve the performance of schools and raise skill levels in industry:

● Making schools compete for pupils. The report says competition would force schools to innovate and respond more flexibly to changing educational needs. Greater choice can be promoted both by creating more "magnet schools" that focus on particular subjects, such as technology.

● Promoting greater accountability. State and local agencies should develop and publish objective measures of school performance. These should include annual tests to determine student progress, data on drop-out rates and competency tests for high school graduates.

● Relaxing certification requirements. The report argues that many talented individuals do not enter teaching because of onerous requirements. The report says the main requirement should be a bachelor's degree plus a minimal level of practical training.

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Colombia imposes special taxes to combat guerrillas

By Sarita Kendall in Bogotá

PRESIDENT César Gaviria of Colombia has imposed special war taxes to help the armed forces counter an offensive by left-wing guerrillas.

These will be levied on oil, coal, gas and nickel exports, and on international telephone calls. Also, those paying more than 1m pesos (260\$) in annual income tax will face a 5 per cent surcharge.

Under the decree, oil companies operating in Colombia will have to pay a surcharge of the equivalent of 55 US cents for every barrel of oil they produced in 1990.

The government hopes to raise the equivalent of nearly \$50m, to be spent on new military brigades, military equipment and the protection of bridges, pipelines and other potential guerrilla targets.

The National Planning Department calculates that, if the attacks continue at the present level over the next three or four months, GDP growth this year could be cut by about half of 1 per cent. The present forecast for 1991 growth is 2.5 to 3 per cent.

The guerrilla groups, which have some 6,000 to 10,000 combatants, launched an offensive last Tuesday to protest against their exclusion from a national assembly now reforming the constitution. They have cut communications, gas supplies and electricity in several parts of the country, and burned buses, trucks and fishing boats.

In a recent statement, which seemed to meet guerrilla conditions for talks, Mr Humberto de la Calle, interior minister, said the government accepted international supervision to monitor any ceasefire pact.

He said he expected the guerrillas to suspend their attacks, now that the government had named its negotiators, but violence was continuing.

Carnival covers Brazil's 'biggest bank robbery'

TWENTY men armed with pistols and machine-guns robbed a bank in northern Brazil and made off with the equivalent of \$12m, AF reports from Rio de Janeiro.

This was the biggest robbery in Brazil's history - while the country was distracted by its annual carnival, which peaked last night. Shrove Tuesday.

The robbers overpowered security agents early on Monday at the regional headquarters of the state-owned Bank of Brazil in Belém, near the mouth of the Amazon river and 2,140 miles north-west of

Rio, reported the TV Globo network. "It said the robbers used a blowtorch to open a steel door. Trucks set up roadblocks on main exits from the city but no-one had been arrested, Globo reported. Six recently-hired bank employees were suspected.

Globo said the stolen money was to have been distributed to regional branches today, ready for the first banking days after carnival. Police feared it would be difficult to recover the money as only a small part was in numbered sequence.

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UK company link gains passport points in HK

By John Elliott in Hong Kong

KEY EMPLOYEES of 700 Hong Kong companies with British connections are to be given special treatment in the next few months, when UK passports are issued on a personal points system to 43,200 heads of household in an attempt to stem the colony's brain drain.

The companies' names were announced yesterday. They include local Chinese-controlled groups such as Hutchison Whampoa and Wharf Holdings, corporations with partial British associations such as the Hongkong and Shanghai Bank, and local offshoots of UK-based concerns such as solicitors' firms, Barclays Bank and Inchcape.

They were chosen because of their involvement with the UK through their incorporation, share ownership, management, trade and joint ventures. These criteria were chosen to give as wide a spread as possible, in a colony where a large proportion of companies have a mixed British and local Chinese base.

The government hopes that publication of the 700 names will help to encourage people to apply for passports before a deadline of February 28. So far, fewer than 7,000 people have applied for passports, which is

much less than had been expected; 750,000 application forms have been printed.

The number is expected to escalate next Monday after this week's Chinese New Year holiday. Many people have been delaying their submissions, hoping to gather more information and improve their chances.

The total could, however, still be far less than had been expected. Many companies say they are surprised by the number of key employees who already hold foreign passports.

Some people are also said to have been worried by attacks on the scheme mounted by Peking, which regains sovereignty over Hong Kong in 1997.

● Hong Kong's domestically produced exports grew by 1 per cent last year, a marginal improvement on 1989 when there was virtually no growth. Re-exports of goods processed elsewhere, mainly in southern China, grew by 20 per cent compared with 19 per cent in 1989. This indicates only a fractional economic recovery last year, with an increase for total exports of 12 per cent to HK\$639.87bn (\$41.25bn). Imports grew by 14 per cent to HK\$642.53bn.

to continue military recruitment and training during the suspension, and what type of mass protest is permitted.

For example, government officials expressed concern last week when Mr Mandela threatened to turn South Africa "upside down" if the European Community carried through its intention to begin lifting sanctions; this issue may have been raised at the meeting. For its part, Pretoria has linked action on prisoners and exiles to the resolution of the above issues.

Government officials said recently they believed agreement in principle could be reached in time to meet the April 30 deadline, although all exiles would not have returned by that time. Yesterday Mr Joe Slovo, a senior ANC official, spoke optimistically about prospects for a political settlement between Pretoria and the ANC, adding that the gap between the two sides

was narrowing. Yesterday's Cape Town meeting may help to clear the air.

Meanwhile, the trial of Mrs Winnie Mandela, the ANC leader's wife, is to go ahead today in Johannesburg after a key state witness agreed to testify in open court. The witness, Mr Kenneth Gase, was persuaded to testify after consultations with lawyers. Earlier the prosecutor told the court that Mr Gase and other state witnesses were "scared to testify" after the disappearance on Sunday of another prosecution witness from Soweto.

The Johannesburg Star newspaper said yesterday that that witness, Mr Gabriel Mekgwe, had been seen leaving a church mission house on Sunday in the company of members of the ANC. The ANC said in a statement that it "rejects any imputation that it is organisationally implicated in the disappearance of Mr Mekgwe".

Indian economic growth dips as inflation rises

By David Housego in New Delhi

INDIA'S economic prospects have dipped, according to newly published official statistics, which reveal diminishing growth and accelerating inflation.

Industrial growth, which averaged 8.9 per cent a year in recent years and has been an important motor of the economy, registered only a 2.2 per cent increase in November as compared with the same month the previous year.

By contrast inflation, which a year ago was still only 6 per cent on an annual basis, doubled to over 12 per cent at the end of January, on the basis of the wholesale price index.

Leading manufacturing sectors such as vehicles, engineering and electronics - are experiencing a more severe squeeze than the official figures would suggest.

Bajaj Auto, the country's largest two-wheel vehicle manufacturer, has cut production by 30 per cent.

Ashok Leyland, the car and bus manufacturer, says that sales have fallen by 20 per cent and that it will cut production in March if demand does not pick up.

Shortages of diesel and petroleum products, tax and import duty increases, cuts on government expenditure and political uncertainties - all have added to manufacturing's more depressed outlook for sales and production.

Mr Yashwant Sinha, the minister of finance, says that

increased oil prices account for three percentage points in the accelerating inflation rate.

The sharp rise in prices also reflects a build-up in liquidity that has come from a succession of budget deficits averaging 9 per cent of GDP a year.

The new figures come at a moment when the administration of Mr Chandrabab Naidu, the prime minister, is drawing up the 1991-92 budget, to be presented to parliament at the end of the month. The government wants to deflate the economy to bring down inflation and improve the balance of

payments while avoiding an industrial recession.

The finance minister in December, when announcing Rs12bn (\$24m) of additional corporate and indirect taxes, said the government would hold the deficit this year to 8.3 per cent of GDP. He said this

would be further cut to 6.5 per cent in 1991-92 as part of what he hoped would be a transition to deficits of 3-4 per cent of GDP over a period of three years. The targets were announced as a prelude to India's borrowing from the IMF.

The latest to be recalled is Ji Shaoxiang, head of Peking's foreign affairs department in Hong Kong, who returns to the Chinese capital at the beginning of next month after ten years in the colony. Ji has been the senior spokesman and diplomatic negotiator at the Xinhua News Agency in Hong Kong.

His former boss, 75-year-old Xu Jiatun, flew secretly to the US with members of his family last May and has resisted attempts by China to persuade him to return home.

Taiwan's economy grew by 5.29 per cent last year, short of the government's original 7 per cent target and well below the previous year's 7.33 per cent, according to initial figures released yesterday, Peter Wickenden writes from Taipei.



One of 1.5m census takers questions a New Delhi slum family yesterday. The population is believed to be about 860m.

South African talks resume on the release of prisoners and return of exiles

De Klerk and Mandela try to end deadlock

By Patti Waldmeir in Johannesburg

PRESIDENT F.W. de Klerk, and Mr Nelson Mandela, deputy president of the African National Congress (ANC), met yesterday for talks aimed at breaking a deadlock over the release of political prisoners in South Africa and the return of exiles.

The two issues and the related matter of the ANC's suspension of the armed struggle have prevented a start of negotiations on a new constitution.

Neither side would comment on the outcome of the talks, which took place in Cape Town. Under a deal reached six months ago, the ANC said it would suspend armed action in return for a commitment from Pretoria to release political prisoners and allow as many as 30,000 exiles to return by April 30.

Since the accord was signed, the two sides have disputed details of the agreement, such as whether the ANC is allowed

to continue military recruitment and training during the suspension, and what type of mass protest is permitted.

For example, government officials expressed concern last week when Mr Mandela threatened to turn South Africa "upside down" if the European Community carried through its intention to begin lifting sanctions; this issue may have been raised at the meeting. For its part, Pretoria has linked action on prisoners and exiles to the resolution of the above issues.

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was narrowing. Yesterday's Cape Town meeting may help to clear the air.

Israelis protest at Japan's Mideast banking blacklist

By Hugh Carnegie in Jerusalem

ISRAELI companies and officials involved in trade with Japan yesterday voiced strong complaints that Japanese banks had ceased doing business with Israel since the outbreak of the Gulf war last month, severely disrupting growing bilateral trade.

They said the source of the dispute was the inclusion of Israel on a list of 11 Middle East countries which the Japanese Bankers' Association had recommended should be avoided by its members during the war. The Israelis protested that the recommendation was unjustified, saying no other country had acted similarly.

Mr. Elichanan Harel, chairman of the Israel-Japanese Chamber of Commerce, said the move by the banks, and the suspension of postal links, had brought trade worth almost \$1.5bn (£750m) last year to a virtual standstill as transactions, such as obtaining letters of credit and money orders, were halted.

In a letter to Mr. Masaya Miyoshi, president of Keidanren, seeking help in reversing the banks' action, Mr. Harel said it was "a most disappointing situation which jeopardises the business and trade relations between the two countries".

The Japanese embassy in Tel Aviv said it had pressed the government in Tokyo to have the recommendation to the banks reversed following many complaints from Israeli companies. It said both the postal service and banking services were returning to normal.

But Israeli businessmen, and

the Foreign Ministry which joined in the protests, said they had not so far detected any change among the banks. Instead, companies and their Japanese trading partners have begun seeking banking facilities from US and European banks eager to take business from Japanese competitors.

"I will do my best to avoid Japanese banks from now on. I feel very strongly about it," said Mr. Emmanuel Ben Sour, an Israeli importer.

Japan has become one of Israel's most important export markets despite what Israel says is the refusal of big Japanese companies to trade for fear of falling foul of an Arab boycott of businesses with links to Israel. Companies such as Toyota, Mazda, Nissan, NEC and Japan Airlines have no direct links with Israel.

But the value of trade has doubled over the past five years with Israel achieving - on paper at least - the rare distinction of a trade surplus with Japan. Israeli exports totalled \$870m last year, against imports of \$50m, Mr. Harel said. Equally remarkable, Israeli banks are net lenders to Japan due to large deposits held with Japanese banks for local regulatory reasons.

The trade picture is distorted, however, as some 75 per cent of Israeli exports are in the form of polished diamonds, while many Japanese imports come in via third countries. Non-diamond Israeli exports are mainly comprised of software products, pharmaceuticals, food and chemicals.

US signals need for trade round

By Nancy Dunne in Washington

MR Clayton Yeutter, the US agriculture secretary, has acknowledged that an extension of the Uruguay Round is "desirable" providing that the EC commits itself to serious negotiations.

On Monday, Mr. Yeutter gave the most enthusiastic reception yet by a US official to proposed reforms in the Common Agriculture Policy. They are, he said, "truly mind-boggling as compared to anything that's been contemplated there for the last 20 or 30 years."

The Bush Administration has not yet publicly asked Congress for an extension of its vital fast-track negotiating authority for the Gatt round, but seems intent upon using the March 1 deadline for that request, to gain as much as possible from the EC.

A spokesman for the US Trade Representative yesterday said no proposal has yet been seen by the EC which would cause the Administration to request the extension.

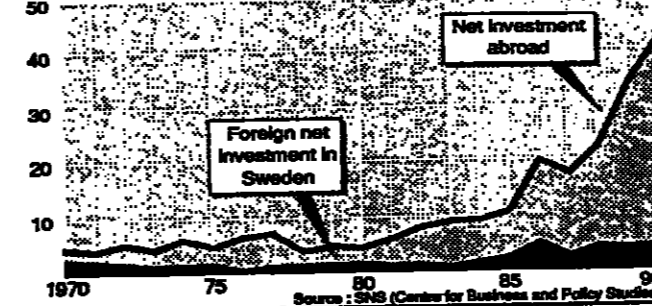
However, Mr. Yeutter's laudatory could be an attempt to prepare for that request. He warned that without agreement, spending on export subsidies would increase and there would probably be additional protectionist barriers.

Sweden to lower barriers on investment

John Burton explains why curbs on foreign ownership are about to be eased

Swedish investment

Kroner billion at 1985 constant prices



panies from Sweden being the biggest cross-border buyers of the biggest foreign investors in Sweden, but the statistics have been boosted by Swedish-owned and managed concerns that are legally based for tax reasons in Switzerland or the Netherlands.

The SKR3.9bn leveraged buy-out of Swedish Match's consumer products division in 1989, for example, was considered a foreign investment because the consortium behind the deal is located in Switzerland, although most of its owners are Swedish institutional investors. Last month's SKR16.25bn acquisition of Alfa Laval by Tetra Pak, owned by the Rausing family of Sweden, is also considered a foreign investment since Tetra Pak,

which was founded in Lund, Sweden, has been based in Switzerland since 1982.

The government has not yet released details about changes in the foreign ownership rules, although proposals could be contained in industrial policy legislation which should be unveiled tomorrow.

A likely first step would be to abolish rules that require the government to approve foreign investment every time it exceeds 10, 20, 40, or 50 per cent of a company's share capital or votes.

Although Sweden often allows foreign takeovers, critics contend that the approval procedure discourages some foreign companies from investing in Sweden. The government, however, is likely to retain the right to review and bar foreign takeovers that involve "national security".

In addition, the government may eliminate corporate bylaws that restrict foreign ownership to 40 per cent of equity and 20 per cent of voting power. Most, but not all, of Sweden's biggest companies have such ownership restrictions, as do the banks, which were completely protected against foreign investment until last year.

The system has resulted in the creation of two categories of Swedish shares: "restricted", which can only be bought by

Swedes, and "free", which can be acquired by foreigners.

The government does occasionally grant exemptions, for example when Renault last year acquired stakes above the permissible level in Volvo as part of an extensive cross-ownership arrangement.

Some companies, such as Electrolux, Ericsson and Atlas Copco, have dispensed with the foreign ownership limits to give them more flexibility in attracting overseas capital. But they remain firmly in Swedish hands due to the country's system of differentiated shares, considered the toughest barrier to foreign takeovers.

The differentiated share system, in which A shares have 10 to a 1,000 times the voting strength of common B shares, has allowed Sweden's powerful financial families, such as the Wallenbergs, and institutional investors to keep tight ownership control over companies, even with small equity stakes.

Reform of the differentiated share system is not a welcome prospect for government and union officials or large shareholders, since it could mean foreign raiders acquiring some of the country's most important companies. This could disrupt the close co-operation between the government, industry and the trade unions, and cause the break-up of several industrial constellations.

Tokyo tells farmers to end scare campaign against dairy imports

By Robert Thomson in Tokyo

JAPANESE farmers' groups have been told by government officials to end an advertising campaign suggesting foreign dairy products are unsafe and arguing that import restrictions should not be eased.

The campaign, which began late last year, drew formal complaints from the European Community office in Japan and other dairy exporting countries, and the contents of the advertisements have been examined by Japan's Fair Trade Commission (FTC).

It was designed to stir opposition to the liberalisation of the Japanese dairy market, which is partly open to imports in some sectors and remains closed, or under very tight control in other areas.

Newspaper advertisements placed by the Central Council of Dairy Farmers showed a Japanese farmer and a group of citizens, each of whom made comments in praise of the domestic industry or cast doubt on the quality and safety of foreign products.

One advertisement quoted a 42-year-old housewife as saying that "we eat put imported food in our mouth because the production processes are unclear", and so "we must protect the highly reliable Japanese dairy farm".

A 38-year-old woman was shown saying: "You know what happened with the Chernobyl accident, so we feel doubtful about imported foods."

EC officials complained to Japan's Agriculture Ministry that products exported from the Community are subject to stringent safety checks and that production methods are very similar to Japan's.

The ministry was told that high Japanese tariffs on imported cheese and the state controls on many other dairy products have limited the choice available to consumers,

who, the EC argued, could be prompted to shun all dairy products by such scare campaigns. Japanese imports of dairy products totalled about \$245.8m (£126.5m) in 1988, with New Zealand, Germany, Australia, and Denmark the leading exporters.

The Japanese government has argued at multilateral negotiations under the General Agreement on Tariffs and Trade (GATT) that tough restrictions should remain on dairy products in the interests of "food security". Tokyo has

used the same argument in campaigning against rice imports.

Japanese dairy farmers had hoped that the campaign late last year would inspire popular opposition to increased liberalisation, and the initial advertisements invited consumers to send messages supporting Japanese products to the Dairy Farmers' Council, which planned to present gifts to 10,000 supporters.

The "National Milk Popularisation" campaign, as it was called, has apparently been halted under pressure from the Agriculture Ministry and the FTC, which has suggested that the advertisements could violate the advertising code.

"Generally speaking, these advertisements do not prove that foreign products are inferior to domestic products, so they can't make that claim. Japanese consumers may be unfairly influenced by these claims," an FTC official said yesterday.

Poland to privatise state airline and retail stores

By Christopher Bobinski in Warsaw

POLAND'S cautious road to privatisation yesterday received a fillip with the announcement that LOT, the state-owned airline, and Pewex, the country's largest chain of retail stores would be privatised.

However, LOT, in common with other airlines is recording a serious fall in passenger traffic and high ticket prices, and is unlikely to attract many western bidders largely because the aircraft are Soviet-designed.

Pewex appears a more attractive proposition. Last year it recorded a turnover of almost \$1bn (£450m). Mr. Marian Zacharski, the director of Pewex, reports that sales by the chain rose by 40 per cent in January compared to the same month last year.

Pewex, once Poland's only hard currency retailer, switched last month to sales in the Zloty. One third of the

sales last year consisted of consumer electronics. Profits after tax totalled \$100m. Mr. Zacharski said Pewex wants to allocate 49 per cent of its shares to western companies, 20 per cent to employees and the rest to domestic investors.

The decision to press ahead with the privatisation of LOT will require a change in Polish law. Current legislation stipulates that LOT, once an integral part of the Warsaw Pact's transport under state control, should remain under state control.

The privatisation of LOT, however, appears to go beyond the need to raise extra capital which is seen as crucial to modernise the airline and make it more competitive.

The authorities may want to privatise in order to avoid pay restrictions on state sector companies which are already depressing incomes for LOT's qualified staff.



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EUROPEAN NEWS

Germany raises status as big foreign borrower

By David Marsh

UNDERLINING its new-found status as a big foreign borrower, the German government raised DM7.5bn (£2.6bn) abroad last autumn through issues of promissory notes launched to fund the rising cost of German unity, according to Bundesbank statistics.

The foreign fund-raising between August and November, made through a series of issues for the German Unity Fund and the East German Finance Ministry, formed part of overall borrowing to cover the burgeoning German budget deficit. Bonn Finance Ministry officials say that the lion's share of the new foreign borrowing was carried out through international banks based in London.

Mr Theo Waigel, the finance minister, last summer vehemently denied reports that Bonn was considering special borrowing to raise funds from foreign lenders to cover the costs of absorbing East Germany. However, during the last six months the Finance Ministry has launched a spate of issues of *Schuldscheine* (promissory notes) on behalf of the federal government for the first time since 1984.

Previous restrictions on transferring *Schuldscheine* to foreign investors have been dropped during the last few

months. This means that the promissory notes – a traditional German form of credit financing for the public sector, which are normally sold to banks – are now free to be passed abroad.

The Bundesbank statistics show that net foreign borrowing by the public sector through *Schuldscheine* between August and November came to DM4.5bn. This was because the gross outflow of DM7.5bn in notes was offset by around DM3bn in redemptions and repatriation of notes to Germany.

The last few months have represented the first time that Bonn has surfaced as a large net foreign borrower through *Schuldscheine* since 1983, when sizeable quantities of promissory notes were sold to Saudi Arabia.

Saudi Arabia, which bought billions of D-Marks worth of *Schuldscheine* in the early 1980s to help Germany cover a temporary current account deficit, is still being regularly offered the chance to subscribe to new issues.

Finance Ministry officials said last night however that the Saudi Arabian Monetary Agency was currently not buying D-Mark notes as it needed to keep funds liquid on account of the Gulf war.

Bundesbank states its 'solidarity with dollar'

By Katharine Campbell in Frankfurt

THE BUNDESBANK, at pains to repair damage caused by what it said was a misunderstanding of its foreign exchange intervention policy, yesterday joined central banks in an act of "solidarity" to support the dollar.

An interview by Reuters news agency on Monday with Mr Helmut Schlesinger, deputy president of the Bundesbank, suggested that the German central bank was not in favour of intervention to raise the dollar. This sent the US currency to new lows of DM1.4450, unleashing a wave of dollar purchases by the Federal Reserve.

Yesterday, Mr Schlesinger told the Financial Times that intervention did have a role to play in calming markets, justifying the Bundesbank's presence on the foreign exchanges, he explained that, with the dollar at DM1.4450 despite Monday evening's purchases, "the Bundesbank continued inter-

vening this morning as an act of solidarity".

He repeated his contention that "generally it is more convincing for the market if foreign exchange rates find their level without central bank intervention". But Mr Schlesinger added that the equilibrium he had made clear he was referring to in Monday's remarks was one plying higher than the rate at which the Bundesbank intervened.

Tensions between the Group of Seven industrial nations have sharpened since the Bundesbank raised interest rates half a point two weeks ago, a move followed 24 hours later by a lowering of official rates in the US.

The Bundesbank remains basically unconcerned by the dollar's further decline that occurred as interest rate differentials opened up, since it cherishes a strong D-Mark as its best weapon for fighting incipient inflationary trends.

Bulgarians agree to austerity

BULGARIA has agreed on a tough austerity programme with the International Monetary Fund (IMF), which it hopes will haul the country away from "the abyss", Mr Ivan Kostov, finance minister, said yesterday, Reuters reports from Sofia.

Mr Kostov told the news agency that Bulgaria also hoped to clinch a \$380m IMF loan later this month to ease its path from communist central planning to a market economy.

"(The programme) is really severe. But it's severe because Bulgaria is near the abyss," he said in an interview.

Bulgaria has been crippled by the collapse of the Soviet-led trade bloc Comecon, with which it once conducted more than 80 per cent of its foreign trade, and by volatile world oil prices since Iraq's invasion of Kuwait last August.

The country is also desperate to break a deadlock over its \$11m foreign debt. Last March, it suspended principal payments, most of which is owed to commercial banks, and in June cut off interest payments.

Bankers accept Bulgaria has few prospects of servicing the debt at present, and in December agreed another 90 days rollover for interest and principal payments.

Mr Kostov said senior officials heartened by the IMF deal were visiting Germany this week to try to negotiate further leeway on borrowing. "We think the agreement that we have concluded with the IMF is a precondition for an overall change of attitude towards this country," he added.

With former communists clinging to power long after the fall of hardline leader Todor Zhivkov in late 1989, reforms are only now beginning to be implemented.

Output has collapsed and by the end of last year shop shelves were empty. Only a radical price liberalisation this month has begun to put goods back in the shops, but at prices few people can afford.

One aim of the IMF programme was to beat inflation down from at least 48 per cent in 1990 to single-digit levels this year.

Communists defeated over Renault workforce

By William Dawkins in Paris

THE French Communist party has lost majority control of the Renault workforce for the first time in the carmaker's history as a state-owned business.

The defeat of the CGT Communist-led trade union in the latest works council elections at Renault, the bastion of French industrial policy, further weakens the hold of western Europe's most extreme Communist party on what was its most important source of industrial power.

It is also the latest step in Renault's progress towards becoming a normal commercial company, following its change of status last year from a state-owned enterprise to a public limited company and its share exchange with Volvo.

The Swearing for the 1991 works ballot has just been completed, giving the CGT 45.5 per cent of the vote, the first time it has fallen into a minority since General Charles de Gaulle nationalised Renault after the second world war.

The extent to which the CGT had lost control of its heartland was shown by the muted

opposition to Renault's decision last year to close its oldest site, on an island in the river Seine just outside Paris, which had come to be seen as a symbol of the CGT's former strength.

The winners in the latest elections were the four moderate trade unions – the CFDT, FO, CFTC and CFE-CGC – which are now trying to hammer out an alliance on the two main works councils.

Renault works councils have no formal power, though the company must consult them on big decisions affecting the workforce.

Nevertheless, the CGT managed to use its influence to generate resistance to the Volvo link-up and discontent on a number of other issues, though with decreasing success.

The CGT is also believed to have contributed to Renault's failure to strike a partnership deal with Skoda, the Czechoslovak carmaker now linked with Volkswagen, by presenting a gloomy picture of French working practices to Skoda union officials.

Latvian parliament opts for vote on independence

THE LATVIAN parliament yesterday voted to hold a referendum on March 3 on the creation of an independent, democratic Latvia, joining its sister Baltic republics in defying a Kremlin ban on independence polls, Reuters reports from Moscow.

The Soviet news agency, Tass, said 101 of the 105 deputies present in the 201-seat parliament supported the proposed "yes" or "no" vote on the question of "a democratic Latvia as an independent state".

The pro-Moscow opposition is boycotting the parliament, which is dominated by the pro-independence Popular Front.

The parliament also agreed to permit a Kremlin-sponsored referendum on preserving the unity of the Soviet Union, set for March 17, but refused to

help to organise the poll.

Tass said a parliamentary resolution would allow only residents aged over 18 and officially registered in Latvia to take part in the "independence" vote, restricting participation by the largely Russian security forces.

Neighbouring Lithuania held a plebiscite last Saturday in which 90.47 per cent of 2.65m voters backed the creation of "an independent and democratic republic".

Estonia, the third Baltic republic absorbed into the Soviet Union in 1940, has scheduled a poll on March 3 to determine its future status.

President Mikhail Gorbachev branded the Lithuanian poll illegal, saying it aimed to block the Kremlin's March 17 referendum.

Soviet premier rules out the radical route

MR Valentin Pavlov, the new Soviet Prime Minister, is determined to prove that he is a man of action and decision, even if the actions he is set on will prove bitter and painful to the Soviet people, writes Quentin Peel in Moscow.

At the same time he is a populist, prepared to persuade his audience that he can deliver economic reform fast, with compensation for all. If they will only keep quiet.

His decisiveness has already been proved. Within days of being promoted from finance minister to premier, he had introduced money reform, abolishing the Rb500 and Rb100 banknotes, in a desperate attempt to curb excess money supply. He insists there are no measures to come, but they will not add up to a shock therapy transition to a market economy. That is totally excluded.

His extraordinary interview, published yesterday by Trud, the trade union newspaper, sets out in clearest detail yet the extent to which President Mikhail Gorbachev's government has retreated from radical reform.

Apart from his diatribe against foreign banks and businessmen, whom he accused of trying to destroy the Soviet economy, Mr Pavlov unveiled a strategy

of forced modernisation of industry, a switch back from consumer goods to heavy industry, strict limits on privatisation, and a rejection of private land ownership as a recipe for civil war.

He produced a figure for the collapse of Soviet production – down in January by no less than 50 per cent against January 1990 – which Goskomstat, the state statistics committee, was unable to confirm or deny.

"That means that last month we lost more than 4 per cent of our annual production," he said. "If we do not deal effectively with this, by March we will have such a great slump in production that society will find itself on the verge of collapse. That is not a political trick. It is an economic forecast."

Mr Pavlov flatly rejected the "radical" plans for a crash transition to a market economy, and sweeping privatisation of the state sector. "Our radicals are calling us back to the market of the late 19th century," he said. "They want to drag society through shocks and traumas. We are categorically against that. We have had enough traumas."

"The market is a means to reaching an end, not an end in itself... apart from the market, the country needs a programme of forced modernisation of

FRANCE yesterday offered the Soviet Union FF3bn (£300m) in credit to buy French factory equipment and grain, Reuters reports from Paris. Mr Pierre Bérégovoy, the finance minister, said France deplored the recent use of force in the Baltic republics but that internal tensions should not impede trade.

His defence of state enterprise and industry will appeal above all to the military-industrial complex, the most powerful lobby against radical market reform.

He also rejected disbanding collective farms, whose directors are another key part of the conservatives surrounding Mr Gorbachev. His promises of compensation will appeal to the official trade unions.

Finally, he promises a rapid switch to partial convertibility of the rouble, the introduction of a *chervonets*, as in the 1920s, a gold-backed rouble. He said that every ordinary citizen would be able to earn them, and change them for foreign currency to buy consumer goods or travel abroad.

Yet that rosy prospect was held out on one critical condition: that all the political squabbling, the fight between the centre and the republics, and the growing inter-ethnic turmoil, must stop. Perhaps Mr Pavlov knows that the opposite is more likely to be true.

Soviet troops continue the march home

Judy Dempsey and John Lloyd assess the military withdrawal from eastern Europe

THE crackdown in the growing assertiveness of the Soviet military has rekindled fears about a possible backlash in eastern Europe.

Yet despite these developments, it seems unlikely that the Soviet military will attempt to reassert its control over eastern Europe, or that it will delay the withdrawal of Soviet troops from the countries of eastern Europe.

These views, expressed by several diplomats from western Europe, are confirmed by the scheduled withdrawal of troops from Czechoslovakia and Hungary, worked out in intergovernmental agreements with Moscow last year. Earlier this month, Mr Lubos Dobrovsky, the Czechoslovak minister of defence, said the Soviet army was to leave by the end of February and the non-military sections by the end of June.

Mr Michael Kocub, chairman of the parliamentary commission for the supervision of the Soviet Army withdrawal, said that 16,500 Soviet soldiers remain on Czechoslovak territory, along with seven Soviet transport planes, 71 tanks, 266 armoured vehicles and 21 non-combat helicopters.

In Hungary, a spokeswoman for the foreign ministry confirmed that all the remaining troops, which number less than 1,000, would be withdrawn by the end of July.

However, both countries are involved in tedious negotiations with Moscow in attempts to seek compensation from the Soviet Union for damages during its occupation.

"We do not believe that the Soviet military would remain or re-invest in eastern Europe. The darkest of Soviet hardliners would not be unaware of the consequences," said a Hungarian diplomat. "Of course the crackdown in the Baltic republics made the public nervous. It is a psychological feeling. We will not relax until all the troops have left our country."

The situation in Poland is less straightforward. Unlike Czechoslovakia and Hungary, the Polish government has no treaty with the Soviet Union for withdrawing the 40,000 troops.

"We are insisting on a date for the complete withdrawal of all these troops," explained a Polish diplomat. "We are proposing that it be completed by the end of this year; at the latest, by mid-1992. At the moment, the Russians are re-

using to specify a date. Until now, they have insisted that the complete withdrawal will take place in 1995, after the 350,000 Soviet troops from eastern Germany have been withdrawn."

Yesterday, Mr Lev Klepach, the Soviet chargé d'affaires in Warsaw, said the withdrawal of Soviet troops from Poland would start next May and from our point of view, it must be a gradual process which we propose to be finalised in mid-1994."

Fixing a date has been further complicated by Poland's insistence that the Soviet authorities should pay transit fees for withdrawing troops from eastern Germany. "I hope these issues will be discussed this week between Moscow and Warsaw," the diplomat said.

Viewed from Moscow, threats of a Soviet clampdown on eastern Europe seem even more unlikely.

Mr Rudolf Slansky, the Czechoslovak ambassador to Moscow, whose father, the general secretary of the Czechoslovak Communist Party, was executed under Stalin's orders in 1952 – confidently dismisses any suggestion that there is any threat from the present regime of a

reassertion of hegemony.

"Things are going well. There are no delays to the pull-out of Soviet troops from Czechoslovakia. Less than 25 per cent of the Soviet troops now remain. The rest should go in a year," he said. Even if a hardline government took over in the Soviet Union, he was returning soldiers.

A further 77,000 officers' families are expected to return from eastern Europe in the next two years, in addition to the 30,000 which have already returned home from Czechoslovakia and Hungary. Only 4,000 apartments have so far been built for these arrivals. Under

secret activity by the KGB on Czechoslovak territory, world, the number of KGB officers at the Soviet embassy has been reduced from six to one.

In Hungary, a Hungarian diplomat said the old intelligence networks between Budapest and Moscow had been severed and "the resident KGB officials left Budapest last year."

In Poland, the authorities recently cut off the Soviet embassy from a special government telephone network that gave it direct access to top Polish leaders.

Mr Jacek Kozlowski, a government spokesman, said former communist leaders and members of the former Solidarity government led by Mr Tadeusz Mazowiecki had also lost the special hotlines installed in their homes.

In addition, all these countries, plus Bulgaria and Romania, are seeking the dissolution of the military wing of the Warsaw Pact. "The Warsaw Pact is in complete disarray," commented a Polish diplomat. "The dismantling of the military arm of the Warsaw Pact should take place as quickly as possible – preferably by the middle of this year."

hopeful that the withdrawals would continue.

Mr Alexei Nekipelov, the liberal-minded deputy director at the Institute for the Study of the World Socialist System, believes any Soviet takeover of eastern Europe is unlikely.

"A harder line government (in the Soviet Union) is quite possible, but in this case the most important issues would be the domestic ones. I don't think it would be possible to again push out beyond our boundaries into Eastern Europe."

Indeed, Soviet and East European diplomats believe that any delays there are may be caused by the problem of finding accommodation for the

agreement signed between the Soviet Union and Germany last autumn, the German government pledged DM 7.8bn for a four-year housing programme for returning troops.

But the countries of eastern Europe are taking no chances. Apart from troop withdrawals, they are also dismantling the former communist intelligence networks and political links with Moscow.

Recently, the Czechoslovak government unilaterally rescinded an agreement between Czechoslovak security bodies and the KGB, even though the Soviet Union is still adhering to the agreement. Mr Jan Langos, the federal interior minister, said that any



On the retreat A Soviet soldier directing a tank on to a rail car last August during a withdrawal of forces from Czechoslovakia

EC report shows skills shortage in Europe

By Lucy Kellaway in Brussels

A SHORTAGE of skilled workers in Europe is reducing economic growth and undermining the EC's competitive position, and the problem is getting worse, according to a report for the European Community published yesterday.

The study, written by the EC's Industrial Research and Development Advisory Committee, concludes that a big effort is needed at European level, as well as by national governments and individual industries and companies if the position is to improve.

It singles out engineers, scientists and technicians as being in particularly short supply, and says that current education and training efforts are not sufficient to meet the growing gap.

It warns that skills are only half the battle: unless there is a change in management attitudes to and understanding of technological change, the adoption of new technologies could be actually prove counter-productive.

A massive investment in upgrading the workforce is

needed, while at the same time Europe's fragmented education system needs to be reorganised, the report says.

It calls on the EC to establish a "coherent European approach" to encourage the mobility of highly skilled workers but to discourage the brain drain from poorer to richer areas.

The study makes unavourable comparisons with Japan, where specific measures are being taken to ensure that a projected shortfall of 1m workers in the information technol-

ogy (IT) industry by the turn of the century does not materialise.

By contrast, member states are taking little if any corrective action for a shortage in IT workers that is already hurting the industry. The EC has half the number of researchers of the US or Japan per head of population.

The figures show the UK as having a lower proportion of students in higher education than any other EC country apart from Greece and Portugal.

France offers new credit to Soviet Union

FRANCE yesterday offered the Soviet Union FF3bn (\$500m) in credit to buy French factory equipment and grain, Reuters reports from Paris. Mr Pierre Bérégovoy, the finance minister, said France deplored the use of force in the Baltic republics but that internal tensions should not impede trade.

Mr Bérégovoy told reporters at the end of two days of meetings with Mr Lev Voronin, first vice-president of the Soviet council of ministers, that Paris was offering Moscow FF2bn of credit to buy French capital goods.

Mr Voronin said Moscow also agreed to buy two to three million tonnes of French grain with about FF1bn of French credit guarantees.

Last year Moscow used an unlimited line of French credit to buy FF1.2bn worth of French capital goods, Mr Bérégovoy said. Both officials said they were disappointed about bilateral trade. The French trade deficit with the Soviet Union widened to FF10bn last year from FF5.5bn in 1989.

Mr Bérégovoy said French firms were encountering difficulties setting up operations in the Soviet Union.

Brussels to introduce rules on baby milk

By Lucy Kellaway in Brussels

NEW EC rules that would force manufacturers of artificial baby milk to announce clearly on the packet the superior quality of breast milk, something which is forbidden in the UK under voluntary agreements.

The directive, likely to be passed before the summer, sets out strict rules covering the content, advertising, marketing and labelling of infant formula milk.

It has proved highly controversial among pro-breast-feeding lobby groups which claim the new rules do not go

far enough. They would allow manufacturers to supply maternity wards and health clinics with cheap artificial milk, something which is forbidden in the UK under voluntary agreements.

However, Commission officials pointed out that such supplies could only be made under strictly limited conditions and would not preclude countries from keeping their voluntary agreements in place.

"These rules are even stricter than those on the advertising and sale of tobacco

products – especially when you consider that tobacco is a noxious substance and that infant formula can be life giving," said a Commission official.

The directive would allow advertising only in specialist publications, and then all assertions would need to be scientific or factual. It would ban all free samples, discounts and special offers, and prohibit the circulation of any educational material by the manufacturers, except at the specific invitation of health authorities.

Member states would have to ensure that information on feeding babies stressed the superiority of breast milk, while formula milk would carry the words "Important Notice" and state that artificial milk should only be used at the advice of a specialist.

The approval of the council of ministers is not needed for the directive, as powers have been delegated by a wider directive on EC foodstuffs. It will, however, have to be agreed by a committee of experts from member states.

Chinese dissidents jailed for 13 years

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UK NEWS

Alvey project in IT 'failed' to match Japan

By Alan Cane

THE "Alvey" programme failed in its broad objective of catalysing the development and commercial success of new products, says its former director. Alvey, the UK's strategic initiative in information technology, absorbed about £350m of public money in the 1980s.

Mr Brian Oakley, who ran the programme from 1983 until it was wound up in 1989/90, argues that while Alvey successfully pioneered co-operation between industry and the universities and promoted a broad diffusion of advanced techniques, it failed to bring new, commercially viable products to market.

"It has to be faced," he says, "that most of the projects requiring capital investment - that is, most of the hardware projects - did not produce anything which has yet reached the market: nor are they ever likely to do so."

The Alvey programme was launched by the UK government as a response to a perception that the UK was falling behind in the commercial exploitation of information technology.

In particular, there were fears that the Japanese Fifth Generation initiative, designed to develop "intelligent" computer systems, would give Japanese industry a substantial competitive advantage. It was a co-operative programme in which the government and individual firms shared project costs on a 50/50 basis.

Mr Oakley, who is now chairman of Logica Cambridge, argues that research and development support programmes are not enough by themselves to ensure success.

He says that the capital investment climate is critical and that high interest rates and unstable exchange rates have seriously inhibited capital investment in the UK.

AIR FARES COMPETITION

Discount agencies retain cutting edge in fight for passengers

FALLING demand may have forced airlines to cut fares to entice passengers, but British discount flight specialists can still beat their prices and offer fewer restrictions on the date of travel, writes Neil Buckley.

The gap is narrowing, however, for those who can travel standby. Pan Am said yesterday its cheapest return fare from London to New York was £235, including tax, but this is bookable only one day in advance. This is for passengers travelling before March 17, and completing their journey by March 24.

For passengers booking three days in advance the fare goes up to £241, but for anyone booking between three and thirty days ahead the fare is a standard £288 return on weekdays, and £292 at weekends.

For those booking more than 30 days ahead the fare goes down again to £239.

A random survey of discount flight specialists in the UK found prices to New York varying from £196 to £208 return. All the shops questioned said tickets are available immediately on most flights. The fare structures of the discount shops also have the advantage of being rather simpler to understand.

It was a similar story with Los Angeles. Pan Am's one-day standby was £219. All but one of the discount shops sampled could undercut this, offering prices from £294.

Often, the so-called "bucket" shops can offer tickets on scheduled flights with major airlines for considerably less than the airlines can themselves, with fewer restrictions.

Pan Am quoted the cheapest available return fare to Frankfurt as £115, while a Manchester flight agency offered tickets on the same flights for £85.

British Airways offered a return fare of £821 to Hong Kong before March 1, with a minimum stay of seven days. But a ticket agency in north London could offer flights with British Airways for £486 return during the same period.

On long-haul flights, discount shops continue to offer the best deals, undercutting the airlines' standard fares by as much as 40 per cent. Return tickets are currently available through discount agencies to Johannesburg and Hong Kong, for example, as cheaply as £555 and £473 respectively.

The current standard fares

with British Airways to the same destinations are £725 and £621.

Cheaper APEX fares are, however, available to passengers booking more than 30 days ahead.

There were no reports of price cutting on journeys within Europe, where air travel is more tightly regulated. Air France reduced fares for flights within Europe and to North America on January 4 in line with the normal decline in passenger traffic at this time of year. The airline said it had no plans to follow the most recent wave of cuts.

● BRYMON Airways reported an increase in traffic in its London City Airport-Paris flight of 24 per cent this January over the same month in 1990. Lex, Page 14



Cheaper outlook: Hong Kong's Kai Tak airport, above, is one of many destinations where international travellers can benefit from discounted fares from London.

Trading deteriorates on London market

By Richard Waters

THE UK stock market became an increasingly hostile place for both investors and the market's intermediaries during the course of 1990, according to figures published yesterday by London's International Stock Exchange.

The ISE's latest Quality of Markets review reveals that in the last quarter of 1990, there was a further deterioration in trading volumes, "touches" (the difference between quoted buying and selling prices) and the number of market makers prepared to quote prices in UK shares.

The steepest falls in trading volume were seen in overseas equities, which early last year accounted for a greater level of business even than UK shares.

From a peak of £1.58bn a day in February last year,

international share business had more than halved to just £770m a day by November. This recovered slightly to £812m in December.

Trading activity in UK shares slipped 2.7 per cent in the last three months of the year, marking a fall in business of 10.6 per cent over the year as a whole. Trading in smaller, "gamma" companies has been particularly badly hit.

This accounted for 16 per cent of turnover on the stock market at the time of the crash in October 1987, but had fallen to as little as 4 per cent in the last quarter of 1990.

Against this deteriorating picture, the number of market makers fell during the year from 28 to 24, with smaller company market makers cutting back most sharply.

Dublin tries to break N Ireland deadlock

By Philip Stephens, Political Editor

THE Irish Government has tabled new proposals in an attempt to break the deadlock preventing the opening of formal talks on Northern Ireland's political future.

The proposals accept that Mr Peter Brooke, the Northern Ireland Secretary, should act as an arbiter on the timing of the Republic's participation in talks between the political parties within Northern Ireland.

In a document handed to Mr Brooke last week, however, the Dublin Government insists that the Unionists - who favour retaining links with Britain - should not be allowed to exercise a veto over such participation.

The Northern Ireland Secretary suggested last month that he should be given the role of

referee in deciding when the Republic joins any talks in an effort to prevent the collapse of the initiative he launched a year earlier.

The formula won the acceptance of leading Unionist politicians.

Mr Brooke's initiative envisages two sets of talks - one set confined to the parties within the province - essentially the Unionists and the largely Catholic SDLP - and a wider conference including both the London and Dublin Governments.

Unionist politicians, however, have insisted that the second set of talks should not start until they judge progress has been made in the internal talks, while the Republic has pressed for a firm date for the wider conference.

BT gets its lines crossed

Hugo Dixon looks at UK telephone pricing policy

BRITISH Telecom must have thought it had hit on a clever manoeuvre when it decided to employ four economics professors to help it persuade the government that it should be allowed to increase its line rental charges to keep pace with costs.

The aim was to outgun Sir Bryan Carsberg, the former accountancy professor, who is the head of OfTel, the industry regulator. Sir Bryan has resisted BT's pleas but the telephone and communications network thought the government would be more sympathetic to its case if its arguments could be demolished.

This manoeuvre backfired last week when one of the professors, Mr John Kay of the London Business School, resigned as consultant to BT, saying he was unhappy with the way the company was conducting its debate on prices.

The other three - Prof William Baumol of Princeton University, Prof Richard Brealey also of the London Business School and Prof Paul Groot of Bristol University - supported some of BT's specific arguments, but they failed to give it full backing.

BT put a brave face on the incident, saying they had been hired only to look at specific aspects of its case and that Prof Kay had not been asked to continue as a consultant anyway. This is difficult to reconcile with the way Mr John Kay, BT's chairman, trumpeted the fact that the professors were demolishing OfTel's arguments.

BT has forced the issue of its price on to the agenda of the government's review of the BT/Mercury Communications duopoly, which is due to be completed early next month. Its complaint is that, when it was a publicly owned utility, it was forced to set its prices according to political rather



Carsberg: resisting BT pleas

than economic considerations. As a result, line rental charges were kept at substantially below cost while call charges - in particular international calls - were priced over cost.

Such a pricing structure is no longer appropriate as the telecommunications market becomes more competitive, BT argues. The current review of the duopoly envisages BT facing competition not only from Mercury but from anybody else entering the market.

Because it has to subsidise line rentals from call charges, it is at an unfair disadvantage in the long-distance market while Mercury and any other entrants are disadvantaged in the local market, it says.

Under the present pricing regime BT is allowed to increase the price of a basket of its main inland services by the rate of inflation minus 4.5 per cent each year. Within this overall price cap the company is allowed to adjust its prices as it sees fit, except that it may not increase line rental charges by more than 2 per cent above the rate of inflation. BT wants to be free from the inflation-linked limit on line rental charges. Eventually, it would like to double rental

rates and make compensating cuts in call charges.

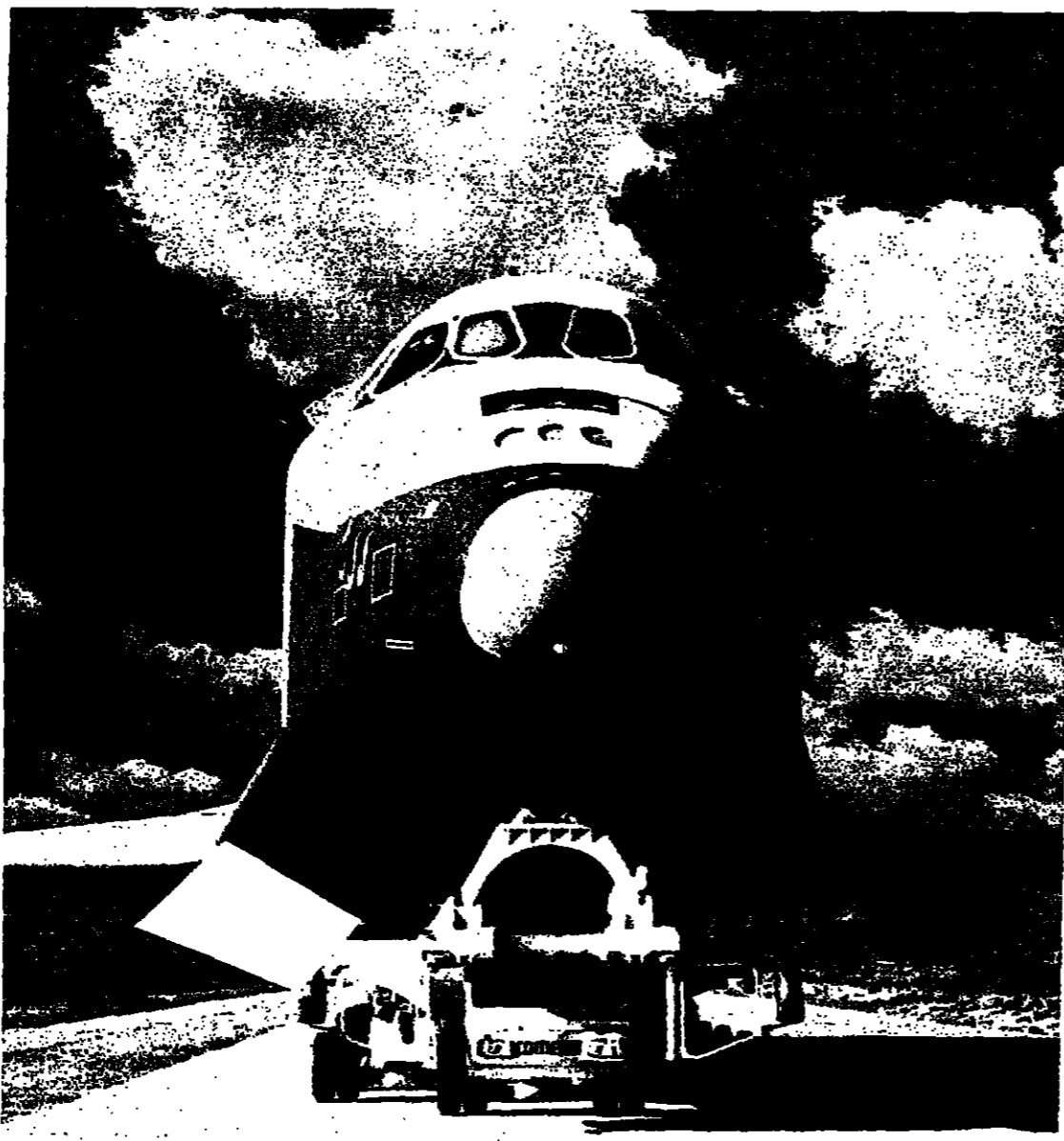
There are three objections to BT's arguments. First, the company has not published figures to back up its case that prices are out of line with costs. Prof Kay said the figures he had seen did not prove the case for rebalancing prices, though Prof Baumol said the figures would make the case for rebalancing even if they were 30 per cent wrong.

The second objection is that the pricing formulas were agreed only two years ago and are not supposed to come up for review for two years.

BT argues that OfTel's announcement last year that it intended to cap the company's international prices - which are not regulated at present - has reopened the whole pricing issue. Sir Bryan said the original pricing deal always envisaged the possibility that international prices would be regulated if BT's profitability from these services increased. BT's profits have since shot up according to OfTel.

The third objection is political. If BT is given greater freedom to rebalance its prices, many voters will find their bills rising faster than inflation - something the government will want to avoid with an election looming. BT has attempted to allay these fears by promising that the bill of the average customer will not increase faster than inflation.

Political considerations will probably decide the issue. Barring a last minute about turn, the government and OfTel seem determined to stick to their guns. BT could still carry out its threat to force the issue to the Monopolies and Mergers Commission. This would guarantee a thorough investigation of its case but the Commission might take a broader look at BT's business in ways the company might not welcome.



How NASA coped with some very down-to-earth problems

It takes more than a safe takeoff and landing to make a space shuttle mission successful. After the "Enterprise" touches down, it has to be transported back to the launch pad across 30 km of narrow, twisting public roads. Hauling the huge spacecraft calls for precision steering and complete load stability. That's why the transport vehicle is equipped with a Danfoss hydraulic system. With it, the carrier can adjust to any road conditions while keeping the shuttle perfectly level.

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INTERNATIONAL STEEL

The FT proposes to publish this survey on

March 27th 1991.

It will be of particular interest to key decision makers in the engineering, car manufacturing, consumer durables, construction, civil engineering and shipbuilding industries who are regular FT readers. If you want to reach this important audience, call Anthony Hayes on 021 454 0922 or fax 021 455 0869.

FT SURVEYS

SPAIN

The FT proposes to publish this survey on

5th March 1991.

It will be of particular interest to the 25% of Chief Executives in UK/Eire and the 40% in the continent of Europe who are regular FT readers. If you want to reach this important audience, call Richard Oliver on (Madrid) 377 6813 or write to him at Financial Times (Spain) Ltd, Serrano 35, 28001 Madrid. Alternatively please contact Sandra Lynch, One Southwark Bridge, London SE1 9TH Tel 071 873 4199 Fax 071 873 3079

FT SURVEYS

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société d'investissement à capital variable

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NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of the HYPO FOREIGN AND COLONIAL PORTFOLIOS FUND, SICAV, will be held at its registered office in Luxembourg, 14, rue Aldringen, on February 21st, 1991 at 11.30 a.m. for the purpose of considering and voting upon the following matters:

1. To hear and accept:
 - a) the management report of the directors
 - b) the report of the auditor.
2. To approve the statement of the assets and liabilities and statement of operations for the year ended October 31st, 1990 and to consider declaration of dividends.
3. To discharge the directors and the auditor with respect of their performance of duties for the period ended October 31st, 1990.
4. To elect the directors to serve until the next annual general meeting of shareholders.
5. To elect the auditor to serve until the next annual general meeting of shareholders.
6. Any other business.

The shareholders are advised that no quorum for the statutory general meeting is required and that decisions will be taken at the majority of the shares present or represented at the meeting.

In order to take part at the statutory meeting of February 21st, 1991, the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Fund, 14, rue Aldringen, Luxembourg, or with the following bank:

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UK NEWS

THE HOUSE OF COMMONS

Major pressed on British economy

By Ralph Atkins

THE GOVERNMENT'S high interest rate strategy will "increasingly drive inflation downwards", Mr John Major, the prime minister, predicted with confidence. However, the opposition Labour party stopped up its onslaught on the government's handling of the economy.

He shrugged off figures earlier this week showing the biggest monthly increase in factory gate prices for 10 years and said evidence that policies were working "will become increasingly apparent".

Mr Major was pressed by Mr Neil Kinnock, the Labour party leader, about whether he shared concerns about rising unemployment, business bankruptcies and factory gate prices.

While admitting he shared such anxieties, the prime minister said business had been growing rapidly and he looked forwards to the "prospects that will continue to exist for this country as we increasingly drive inflation downwards".

In response, Mr Kinnock called for a cut in interest rates



Major: facing criticism

and "a more sensible system of managing demand".

Above the noise in the chamber, Mr Major retorted: "These generalised slogans will not do."

Mr Major said this week's figures showing output prices rising at a rate of 6.3 per cent a year were "suspect".

He suggested they may have reflected the delayed impact of higher oil prices.

He said of the government's economic policies: "They are working and I believe that will become increasingly apparent."

But he slipped when he attempted to reassure MPs about price rises abating, predicting "continuing falls in the rise in inflation".

Later Mr Major used prime minister's questions to reiterate that education was top of his own political agenda for the 1990s.

He told the House: "We wish to see an education system that rewards dedicated teachers and provides an education in the state sector that we can be proud of."

"That's what we shall be increasingly reaching towards throughout the Conservative governments of the 1990s."

● The five Scottish National party MPs in the House of Commons told Mr Michael Heseltine, the new environment secretary, and Mr Ian Lang, the Scottish secretary, that the controversial poll tax should be abolished from April this year.

They said at a meeting with the two ministers that local authorities should be financed by a withholding tax of six pence on income earned in Scotland next year, to give councils time to set up a system for collecting a local income tax.

After the meeting they expressed the fear Scotland might be squeezed into a uniform system of local government finance better suited to England and Wales.

The poll tax is a per capita tax levied to finance local public services.

● The government found itself embarrassed last night over cold weather payments, for people vulnerable to below-zero temperatures, during the present severe weather spell.

Mr Major was forced to counter comments made 24 hours earlier by Mr Nicholas Scott, junior social security minister, who had told the house that a special relaxation on eligibility for the payment would only last a week.

Mr Major said the situation would be monitored.

BRITAIN IN BRIEF



UK group launches capital fund

MMG Patrick, a venture capital company, has raised a £300m fund to be invested equally in early-stage companies and corporate rescues in Britain and continental Europe.

The £300m destined for investment in the UK makes this the largest fund of its type to be raised by a British venture capital group.

Patrick is continuing negotiations with other investors which may lead to the fund, called APA European Ventures, increasing to £240m. Fund-raising began last March and was due to end in September, but was delayed by uncertainty in the Gulf which prompted potential Japanese investors to withdraw.

The new fund represents a considerable commitment to early-stage companies at a time when many venture capital firms have moved away from such investment, Mr Ronald Cohen, the chairman, said.

Employers' Information Unit. This would provide guidelines to Training and Enterprise Councils and employers on recruiting ex-offenders. It would also act in an advisory capacity to any employer wishing to recruit someone with a criminal background.

Equal Opportunities policies tended not to include ex-offenders, according to the survey. Apex Trust said: "Employers should adopt written equal opportunities policies which include ex-offenders on the basis of unrelated criminal records."

Employers, it said, should have a uniform policy regarding requests for information on convictions. "For example, a statement expressing a company's willingness to consider ex-offenders regardless of unrelated convictions should appear on all job application forms. Also, ex-offenders should be considered on their merit and only convictions relevant to the post should be considered."

The other partners in the project - Northern Electric and Scottish Hydro-Electric - say they remain confident about the scheme.

BOC formed Neptune with the two electricity companies last year to ensure long-term supplies of electricity for its plants on Teesside. It has decided that "moving into significant power generation is no longer part of our strategy."

TUC may align pay bargaining

Union leaders are to consider ways of aligning pay talks in the first three months of each year as part of a plan for synchronised pay bargaining under a possible future Labour government.

Leaders of the Trades Union Congress will discuss proposals to shift pay negotiations to the start of the year, following a national economic assessment drawn up collectively by the government, employers and unions.

Last year the congress agreed to the idea of a national economic assessment, but rejected any return to pay "norms".

Gas market flexibility urged

British Gas should review its proposals to introduce more competition into the UK industrial gas market by April, according to Mr James McKinnon, the industry's regulator.

The company's offer to make more gas available to competitors through a series of swap deals would not work if British Gas, the privatised national supplier, remains too inflexible in its demands, he said.

Mr McKinnon said there is a danger that some companies will not participate in the market because they cannot conform to the terms offered by British Gas.



James McKinnon: British Gas should remain flexible

The proposals would make 10 per cent of the industrial market available to would-be competitors until October 1992. British Gas would allow companies to have this gas now if they agree to swap back some of their future supplies.

Magazine group cuts 250 jobs

Reed International, one of the UK's largest publishing and information groups, announced 250 redundancies at its business magazines division.

Mr Peter Davis, Reed's chairman and chief executive, cited the advertising recession as the main reason for the job losses. The advertising market had been "badly affected by the decline in business confidence" and Reed saw "no sign of an improvement" in the short term.

The redundancies will reduce the workforce at Reed Business Publishing - one of the UK's largest business magazine publishers with titles such as *Business Weekly* and *Caterer & Hotelkeeper* - to 2,500 people.

Manx to relax its labour laws

Trade unions will be legally recognised for the first time in the Isle of Man this summer. The Trade Union Bill completed its lengthy, and often fraught, passage through the House of Keys, the lower house of the Isle of Man parliament.

Mr Bernie May, the Manx industry minister, said the bill, along with a new Employment Bill, "will provide a better framework from which industrial relations in the island can move forward".

Branches of several UK unions exist and are active in the Isle of Man, a self-governing dependency of the UK in the Irish Sea, but their members have hitherto not been protected by law from claims arising from industrial action.

Social fund proves costly

Administrative costs of the British government's controversial social fund were nearly 31 per cent of its gross expenditure in 1988-89, a National Audit Office report shows.

That makes the fund - from which social security claimants receive loans or grants to meet urgent needs - the most expensive benefit administered by the Department of Social Security.

In 1988-89 the fund had benefit expenditure of £198m, costing £61m to administer.

No need to change auditors

The government has no plans to introduce legislation requiring that auditors to banks and insurance companies be rotated every five years, Mr John Redwood, the corporate affairs minister, has said.

"Responses to two recent consultation exercises were overwhelmingly against requiring companies to change auditors at regular intervals."



John Redwood: to change auditors would raise costs the minister said. This was "on the grounds that it would increase costs and make audits less effective as each new set of auditors would have to start from scratch in building up knowledge about the client."

Rover puts up prices by 3.6%

Rover Cars has announced price increases averaging 3.6 per cent, effective immediately. The company is the last of the "big three" UK producers to announce a new year increase.

Market leader Ford announced a rise averaging 3.4 per cent on January 21, following one of 3.6 per cent by Vauxhall.

'Hero Turtles' plant closes

A company that produced Teenage Mutant Hero Turtles goods has ceased trading with the loss of 120 jobs. Creative Framing of Bletchley, in south-east England, started with four employees in 1989 and expanded its workforce 30-fold when demand rose for its framed prints and quilted pictures of the turtles.

Public sector more receptive to ex-offenders

By Lisa Wood, Labour Staff

EMPLOYERS in the public sector are more willing than their private sector counterparts to employ people who have committed offences including robbery and fraud against a previous employer, according to a survey by Apex Trust, the national ex-offenders employment organisation.

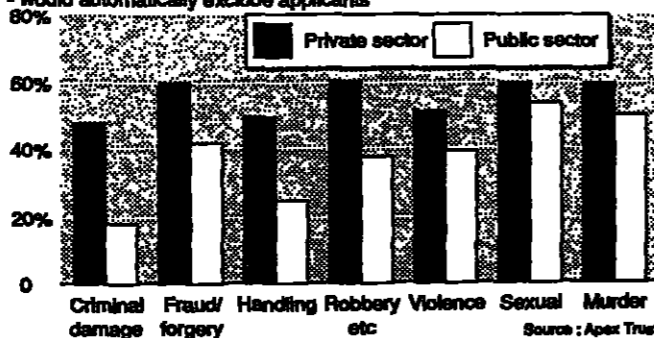
Apex Trust, in a national survey of 2,500 employers, asked what sort of offences against a previous employer would automatically exclude ex-offenders from consideration within the respondent's company.

Sexual offences tended automatically to exclude candidates in both the public and private sectors but, up to 60 per cent of employers in the public sector were willing to consider ex-offenders for crimes they considered to be less serious.

Conversely, up to 60 per cent of companies in the private sector said they would automatically exclude ex-offenders who had committed offences including fraud and forgery,

Offences against previous employers

- would automatically exclude applicants



Source: Apex Trust

ers at risk of not getting a job,

said the survey indicated that

employers should be encouraged

to look at each individual

on merit. It said the relevance

of the offence for the effective

performance of the job should

only be considered.

The organisation will shortly

be making a proposal to the

department of employment

that it funds part of an

against a previous employer.

More generally, the survey

found that 15 per cent of pri-

vate sector companies said

they would not employ people

with a criminal record under

any circumstances. The corre-

sponding figure in the public

sector was 3 per cent.

Apex Trust, which is con-

cerned that rising unemploy-

ment will put more ex-offend-

ers at risk of not getting a job,

said the survey indicated that

employers should be encouraged

to look at each individual

on merit. It said the relevance

of the offence for the effective

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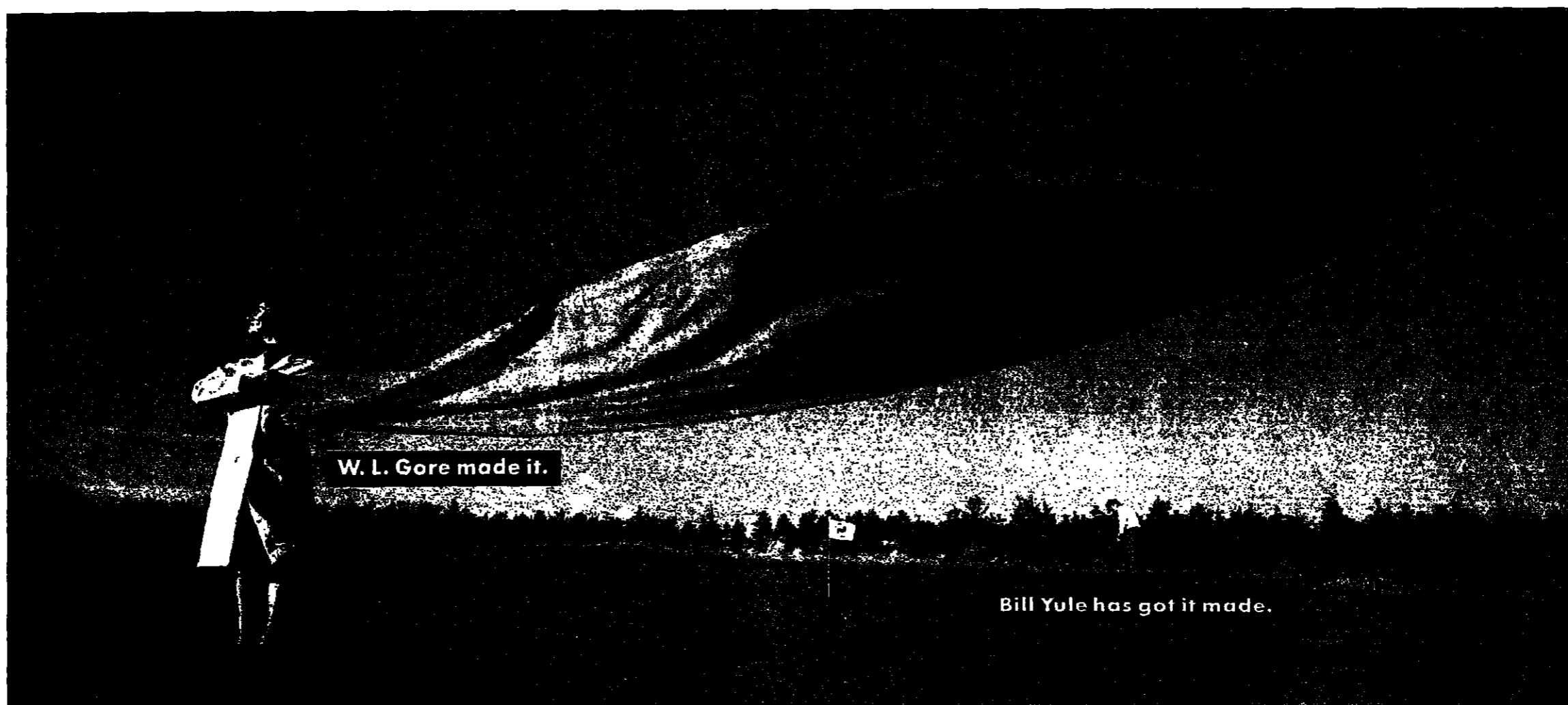
The organisation will shortly

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department of employment

that it funds part of an

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مكازم الذهب

MANAGEMENT

Doing business in Taiwan

Thoroughly, exasperatingly, delightfully, Chinese

Peter Wickenden explains the paradoxes of working within the system

Taipei's shining office blocks, neon signs, fast-food restaurants and endless rivers of imported cars can easily fool the uninitiated into thinking it is just like Hong Kong.

Indeed, there are many foreign companies that cover the wealthy Taiwan market from their Hong Kong offices, and the two places are only a 90-minute flight apart. Yet behind Taipei's mirror-glass facade there lies a business environment that is thoroughly, exasperatingly, delightfully Chinese.

"Hong Kong is reminiscent of a large Chinatown in a western society - like an enormous Gerrard Street transported back out to the Far East," observes John Chandler, a fluent Mandarin speaker who has headed ICI's Taiwan operation for the past three and a half years. "Taiwan is quite different, quite close to the (Chinese) mainland in some of its concepts."

Businessmen with regional experience say that while the Chinese in Hong Kong may be more westernised and pragmatic in the way they approach a business deal, Taiwan's is a more parochial and tradition-bound society. And the authorities, despite bold statements in favour of opening up to the rest of the world, and making Taipei a regional financial centre to rival or replace Hong Kong, seem to be stalling largely by officials uneasy about carrying out a mission too hastily.

The first hurdle one faces in setting up in Taiwan is getting into the country, staying there, and getting out again. The island's international diplomatic isolation means that it cannot openly run embassies or issue visas except in a handful of countries.

For instance, businessmen from the UK, Taiwan's second largest European trading partner, must get a letter of introduction from the low-profile Free Chinese Embassy in London and swap it for a 60-day visitor visa on arrival. There are no visas to be had directly on arrival.

Getting a residence visa, which has to be renewed yearly, is by no means easy, but a visa is required if one wishes to open a bank account. But the possessor of a residence permit (a "black book" - which is actually blue), still encounters considerable bureaucracy, including tax returns, exit permits and re-entry permits, before being able to leave the country just for a day or two. Though recently

simplified, the procedure could still be made more convenient. Finding an office in Taipei has become much easier since the stock market crashed last year and put hundreds of local service sector companies out of business. But rents in one of the world's most densely populated cities remain very steep, and some landlords demand that they are paid every month in cash, since no domestic bank is yet sufficiently advanced to handle standing orders or even direct transfer of funds between private banks or post office accounts.

Banks and large businesses use cheques. Everybody else is accustomed to carrying huge amounts of cash around to buy anything from a fax machine to a company car. This is a somewhat nerve-racking experience in a country where the crime rate is rising rapidly.

There is no cause for worry when it comes to hiring staff, however. Foreign companies are unanimous in their praise for the Taiwanese, who are conscientious and diligent. Owen Davis, managing director of Anglo-Dutch insurance company Heath Hudig Langeveldt's Taiwan office, notes that unlike their counterparts in Hong Kong, the Taiwanese seem to care about the company's fortunes. They are prepared to take a pay cut or work longer hours when the economy has hit a rough patch.

ICI's John Chandler agrees that the staff are one of the great attractions of working in Taiwan. "I can't count the number of times visitors have said off-the-cuff that they are among the most friendly, hard-working and conscientious they have come across anywhere in the world."

Both he and Owen Davis note, however, that the irrepressible appeal of playing the stock market has somewhat dampened the country's legendary work ethic in the past few years. "It is a major problem. I don't think any company was unaffected by it last year," he says.

A more deeply ingrained Chinese trait that foreign bosses have to cope with is



Taipei's traffic is chaotic, with a stream of vehicles on the wrong side of the road

managers' reluctance to question decisions or challenge the system openly, which makes western-style management meetings a frustrating game of edging politely towards consensus.

The Chinese themselves put this down partly to their traditional education systems, which emphasise passive rote learning techniques and passing exams rather than analytical thinking, and partly to the fear of *diu lian* or "losing face".

Michel Plagnol, who is overseeing the construction of a major part of Taipei's new rapid transit system by the French company Matra, finds that "difficult things can't be said directly". He notes, however, that the women on his staff show more initiative and seem to care less about losing face than the men.

Even so it is certainly a mistake to pretend that face is of no consequence in negotiating a deal.

After three years of experience, Owen Davis routinely starts by quoting an excessive price for insurance cover just to give his clients the face-saving satisfaction of beating him

down. Davis finds that the Taiwanese are interested mainly in the price. Both he and Pat Flockhart, who runs British Steel's sales office in Taipei, comment that every customer also expects special treatment. If any client were granted a special favour, however, the word would get round in a flash. "In terms of sales, this is one of the least developed of the Asian countries. People never believe that there is a fixed price," says Davis.

Building up long-term relationships with staff, suppliers, clients and particularly government officials is the key to successful business ventures in Taiwan. In a land where laws are enforced haphazardly and widely ignored, it is possible to do almost anything.

When dealing with the government, contacts, and the right attitudes, are important. Be as polite and modest as most officials are and doors swing open.

Because of its political history, Taiwan is unique in having two governments: the central government, which claims it covers the whole of China, and the Taiwan provincial gov-

ernment. This means two separate bureaucracies, which can tirelessly pass the buck back and forth, and in the lowest ranks, two lots of officials on the look-out for kickbacks.

These days, outright bribery and corruption in the government and the police are more a commonplace for local entrepreneurs. But officials' reluctance to face responsibility for anything is a serious problem that affects local and foreign businessmen equally.

Getting on the wrong side of the government can allow things to fall apart, but falling foul of the ordinary people can scupper one's plans permanently.

On a personal level, the foreigner may have to grow accustomed to a host of religious rituals, superstitions and taboos adhered to by his own staff or by the local trading company in the office next door. When it's an auspicious day in the Chinese lunar calendar, and there are plenty of sticks and metal pails full of symbolic money burned to pay off the gods.

On a public level, Taiwan is already a very polluted coun-

try, and most local opposition to foreign investment is on environmental grounds. Du Pont has been trying without success to build a titanium dioxide plant in Taiwan for years. ICI was faced with an angry mob of fishermen demanding money last year when a local subcontractor dumped ICI's waste acid into the sea too close to the shore. In both cases an energetic press did the foreign company no good at all.

In environmental protest and the occasional labour dispute, there is a rising political element, and opposition politics is closely mixed up with the underworld.

Ah, yes, Taipei traffic. Lethal enough even before the somewhat emotional locals began to arm themselves as a result of the recent deterioration in the social order, it is cited by all as a major problem in doing business. In Taipei it is both heavy and chaotic, everywhere else just chaotic, with a steady stream of vehicles coming down the wrong side of the road. The first train on Taipei's underground system will not be arriving until mid-1992. Until then, allow an hour to get to any appointment.

Other practical impediments to making money include the telephone system, which becomes overloaded whenever the stock market is rocketing or plunging by its 7 per cent daily maximum. In the morning, in certain parts of Taipei one may have to wait five minutes just to get a dialling tone. In the afternoon, when Europe and then the US wake up, international lines become jammed. Just scribble a note, leave it in the fax machine, lock up, and let it dial and redial.

"Difficult and challenging," is how Owen Davis sums up business in Taiwan. Despite their means, very few foreign companies have failed to make a go of it in Taiwan's easy going but hard-working commercial world. The island's 20m people are well aware that their prosperity has always depended heavily on foreign investment, foreign technology and imported raw materials.

Perhaps for that reason alone, the xenophobia of the Chinese mainland is almost non-existent in Taiwan, and as trade barriers and restrictions come down, doing business there is becoming both easier and more of a pleasure.

Previous articles in this series were published on July 27 (Daily, October 10 (France) and November 9 1990 (Saudi Arabia).

A new day could dawn for biodata

John Gapper on personnel selection

On the face of it, a recession in Britain does not seem likely to prompt increased interest among employers in recruiting methods. The rapid growth of psychometric testing, and attempts to select workers by means other than a short job interview and an application form were encouraged by the economic boom of the late 1980s. As the recession hits jobs in both manufacturing and services, recruitment could be the last thing on a personnel manager's mind.

Yet the recession's effects may be paradoxical; companies flooded with job applications may need new ways of screening them to sort out a manageable shortlist. Instead of opening up recruitment methods to ensure candidates are not rejected for illogical or outdated reasons, they may want to tighten them to make recruiters' lives bearable.

The danger in doing this is clear enough. Much effort has been put into widening recruitment to include applications from women, minorities, ethnic minorities and older workers, groups who have been wooed out in the past by a cursory examination of application forms. Employers which have tried to switch to criteria based on personality and aptitude rather than relying on basic academic qualifications may be tempted simply to return to their old ways.

The cost of alternative techniques such as psychometric testing - under which every applicant undergoes individual personality and reasoning tests - may be too high if there is a flood of applications. This suggests that employers such as the civil service, or others which take in large numbers of clerical workers, may be seeking ways of screening which give a greater insight into candidates than simple academic tests, yet cost less than psychometrics.

This could lead to a return of interest in biodata - a technique in which biographical details of job applicants are scored according to how suitable they are likely to be for a job. The use of biodata is an attempt to improve the use of standard information that candidates may provide.

These can include school achievements, previous positions of responsibility, leisure activities and other information on job motivation.

Biodata has had a bad press in the past few years. Although there was some enthusiasm for the technique in the early 1980s, some employers became disenchanted, and even stopped using it. Among the reasons were the demographic downturn which led to a fall in the number of applicants for jobs, and problems in persuading candidates that it was as fair and "scientific" as purported. However, a new study suggests it may itself have been unfairly treated.

The study of biodata was carried out under an Institute of Manpower Studies research programme, which was sponsored by a group of employers including Marks and Spencer and the Cabinet Office. It found that employers which have used the technique systematically - the links between personal history and job performance have to be based over long periods. Once established, a system allows the rapid sorting of application forms.

Inevitably, biodata testing has its weaknesses. One is that it hardly seems worth the effort except for large employers, which have to trawl through stacks of applications regularly. The effort of checking how much better, if at all - people who were perfect at school perform jobs over long periods is only then likely to be worthwhile.

The study points out that biodata pre-screening is expensive. It is likely to cost an employer about £20,000 to develop a tailored system. It will be repaid only if there are identifiable cost savings. These savings are most likely to result from identifying people who will stay a reasonable length of time. This will cut the number of times the expensive and time-consuming process has to be repeated as the recession deepens.

Biodata in Selection: Issues in Practice, by Marie Sargeant, IAMS Paper No. 165, Institute of Manpower Studies, Manfield Building, University of Sussex, Brighton BN1 9QJ. £12.25 (£16 to IAMS subscribers).

BUSINESS AND THE ENVIRONMENT

Sawmill cuts out a green image

By David Blackwell

It's an ill wind that blows nobody any good. That could be the motto of Anthony Penrose and Nigel Braden, who set out to create an environment-friendly sawmill after the 1987 hurricane in south-east England devastated trees and woodlands.

Penrose and Braden are appalled at the thought of any part of a tree being wasted. To them, churning thousands of old Christmas trees through a mobile chipper in Hailsham last month to make peat-free compost was the sort of recycling which fits in perfectly with their environmental philosophy.

Before the hurricane struck, their business - Timber Management of East Sussex - was a tiny sawmill employing four people in the yard at Penrose's farm. Since then they have poured more than £2m of their own money and £1m of borrowed capital into the business, which opened on a green-field site on the farm in 1989 and now employs 34 people. Last year turnover was around £700,000.

Stacked on the nine-acre site are tonnes of timber from the devastated woods of southern England. They expect to be clearing trees knocked down by the hurricane for another three or four years.

Penrose went into the timber business after deciding that 100 acres of woodland on his farm had to work for its living. The top soil from the site was built into a three-metre bank which deflects noise upwards and screens the buildings from the road. It is, of course, planted with trees.

Within the bank a mixture of the latest technology and tradition is employed. The sawmill shed is soundproofed with four inches of rock wool between the double-skinned walls. Alongside it is a shed, built of English timbers, for seasoning timber over a period of one year. The vacuum kiln involves state-of-the-art technology and takes only 10 days to season one-inch oak planks.

The mill can process 300,000 cubic feet of timber a year. Kiln dried oak and ash are used for flooring, architrave and skirting boards; traditionally seasoned timbers go for

furniture. Penrose believes his prices are competitive, and his products have an additional "green" factor. "What we do appeals to people. We are having an impact on preventing the destruction of the rain forests by offering a viable alternative," says Penrose.

Braden, who has a background in architecture, is keen to promote English hardwood as a construction material. When he was designing the seasoning shed, which uses sweet chestnut for the main structure, he found that stress tables refused almost exclusively to imported hardwoods. He is now working on a special committee with the British Standards Association to set new standard tables for English oak.

Sawn timber is only half the story, however. The rest is a pile of whole log usage. We are into whole tree usage," explains Penrose.

The "top and lop" (waste branches) and any other waste from every tree processed is converted into chips of varying size and quality. Some are used as outdoor play surfaces and for riding arenas, some go into garden mulch and some are mixed with cow slurry from the farm to make a new peat-free compost. The sawdust is used by the ceramics industry.

Both partners believe that by adding value to English timber they can help to create demand, which will lead to better managed woodlands and reduce the UK's heavy reliance on imports.

The company, which last year planted 50,000 trees, continually runs education programmes with the local schools and communities. Its policies won it the Sussex Business Awards Environment Award last year.

The company, which is now breaking even, believes it is on the right path for sustainable growth up to a £1.5m turnover in 1992. Penrose is looking for profits of between 6 and 8 per cent in future years.

"I know from long experience in primary production as a farmer that it's too optimistic to hope for more," says Penrose. "In agriculture, you're lucky to make 2 per cent."

Can cleanliness be expected from a steel-works that celebrates its 150th anniversary next year? The answer is plain to anyone who visits Stocksbridge Engineering Steels, 10 miles north of Sheffield in green countryside on the edge of the Peak District, where the steelworks occupies a 14-mile-long strip of the narrow valley floor of the Little Don.

What is happening there both raises and answers fundamental questions about industry and the environment, particularly over how to justify the cost of going well beyond compliance with legal requirements for pollution control.

For Stocksbridge is spending £10m over 10 years on its environmental programme. Not only are emissions and effluents controlled twice as stringently as required by law, but stone office buildings have been sandblasted clean of more than a century of grime. Redundant buildings have been knocked down and roads straightened.

A special access road has been built into the works from the Stocksbridge bypass to keep lorries out of the town. The scrap steel feedstock for the electric arc furnaces is stored in an area that has been screened by trees.

The workforce's enthusiasm is noticeable, says Philip Dime-low of the EESTU electricians' union. "They had a very good man of the works' multi-union committee, says: "A clean and tidy works makes people think it's a better environment to work in. Steelmaking will always be a dirty process but you can and should make it as clean as you can."

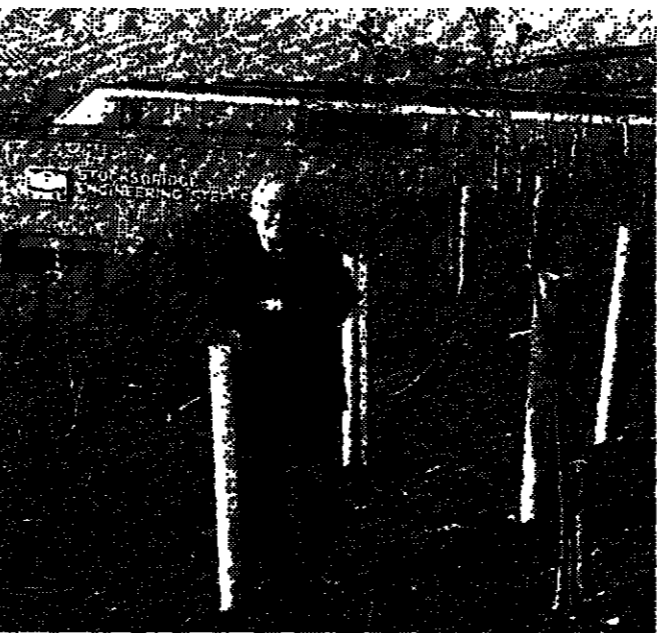
Not only is Stocksbridge strikingly clean, but the steep side of the valley above the works is being planted with 100,000 trees. The job is half done and will restore the valley not to what it was like in the 18th century before steel-making began there, but to its state a millennium ago.

As Roger Moss, chief project engineer, puts it: "We wanted an environmentally friendly works. It's one thing to start with some fields and build a factory and put some trees around it. But we started with a valley that had been industrialised in some way or another from the Bronze Age."

The town of Stocksbridge (population 16,000) occupies the opposite slope to where the trees are being planted, but its view to date has been of the works and of scrubland. The change came in 1986, when the

Ian Hamilton Fazey reports on a clean-up programme that extends beyond the factory

Change in the works



Peter Thompson with some of the 100,000 trees planted by Stocksbridge to breathe new life into an industrialised valley

steelworks was disorganised from the nationalised British Steel Corporation (BSC) to go into the private sector as part of United Engineering Steels (UES).

David Stone, recruited as managing director, did not appreciate the grimy image of the works. Peter Thompson, personnel director, was put in charge of changing it. "We had a pretty gritty time in the five or 10 years before we became part of UES when all we saw was the decline of the steel industry. When we became UES and looked around, we noticed by just how much the fabric had gone," he says.

A study showed that landscaping and planting the slope above the works would cost £400,000 over five years. The Countryside Commission, a government agency, offered to pay a third if there was public access to the land and the

steelworks worked with the community. Thompson became chairman of a partnership between the works, Stocksbridge's district council and Sheffield city council.

There are now nature and industrial heritage trails through the growing wood. Also growing are the links with local schools, which bring a succession of classes of pupils there for field studies.

In the works itself there was considerable initial scepticism. Gardner says: "People wanted to know what it was costing, where it was coming from and would we pay in the end because the money wouldn't be available for our pay packets?"

"But people have come to accept it and see it as a positive thing. The industry has realised that the world has changed. Many things we care about now did not matter in the past."

But does it make any money? David Stone, the managing director, admits that it might have been difficult to justify the environmental programme to BSC on the basis of provable projections of returns, but he says that the programme is now proving its worth handsomely.

"A better working environment is a better selling environment. Quality is important. If the works is clean, you are more likely to produce a cleaner product. It helps make the steel purer," he says.

The strength of engineering steels comes from the additives used in alloying. Customers want more strength for less money, but costs can only be kept down if the steel can be made as pure as possible.

"Cleanliness is therefore economically important," Stone says. "It is not so much that dust gets into the product, but the psychological effect on everyone. If you are trying to make something clean while surrounded by lots of rubbish you have an attitude problem from the outset."

"The customer then equates a clean works with clean steel. We do, of course, bring all of our customers here. They see us as a high-tech industry operating in a clean, landscaped, high-tech environment, just as impressive in its way as the modern premises in which many of them operate."

"I certainly would not try to justify spending so much money in terms of return. You get benefits rather than savings. But I would not like people to think that we decided to spend £400,000 on trees because we thought it might be a good idea."

There has, however, been one tangible return so far: by switching from oil to gas as a fuel, using more efficient burners and better insulation, and by installing extraction equipment to cut emissions of fumes and dust, the plant has not only become cleaner but also more efficient.

The result is that Stocksbridge's energy usage per tonne of liquid steel made has dropped from 7.3 gigajoules in 1983 to 5.7 last year, a drop approaching 30 per cent.

The promotional spin-off has included national and European awards and a pat on the back from Margaret Thatcher when she was prime minister. Stone, however, keeps his eye on the ball. "We are not a museum but a high-technology factory. We are showing the world that steel is not a mucky and grimy thing," he says.

CFCs get the cold shoulder

By Clive Cookson

A drop-in replacement for R502, the main refrigerant used in supermarkets, is launched today. It could save tens of millions of pounds in the supermarket and food distribution industry would otherwise have had to spend on capital equipment over the next five years, as R502 is phased out in accordance with the Montreal Protocol on CFCs.

The new coolant, Isecon 69-S, has been developed by Rhéne-Poulenc Chemicals, UK subsidiary of the French chemical group, and Star Refrigeration, an independent Scottish company.

Sainsbury's, the UK supermarket group, is testing 69-S at its South Ruislip store west of London. "We're extremely excited about it," says Peter Ibbotson, Sainsbury's chief refrigeration engineer.

"Our only recourse before this came along was eventually to take out equipment and replace it with different compressors using R22 - which would have entailed a long and expensive programme, with considerable disruption to our stores and customers."

Changing compressors in a typical supermarket costs at least £100,000, Ibbotson says, and re-equipping the whole Sainsbury's group would have cost more than £20m.

The industrial refrigeration industry is adopting R22 as the standard replacement for R502, which contains CFC-12, a hydrochlorofluorocarbon (HCFC) - less damaging to the ozone layer in the upper atmosphere than a CFC. Its "ozone depletion potential" is five times less than R502. But compressors designed to run on R502 do not work with R22.

Isecon 69-S, which Rhéne-Poulenc will manufacture at its Avonmouth plant near Bristol, is a mixture of R22 with two non-chlorinated chemicals (propene and octafluoropropane).

The company says 69-S has a slightly lower ozone depletion potential than R22 and - most importantly - it can replace R502 "as part of the routine servicing of refrigeration equipment" without any need

to change the compressor. "This refrigerant mixture is so close in performance to R502 that it can be considered a 'drop-in replacement,'" says Forbes Pearson, technical director of Star Refrigeration.

Sainsbury's wants to continue its South Ruislip test for another three months before starting to introduce 69-S elsewhere, Ibbotson says. It plans to introduce the new mixture into its most modern supermarkets; the R502 taken out will be recycled and used in older stores.

Although the price of 69-S has still to be negotiated between Rhéne-Poulenc and its customers, it is likely to be three times as expensive as R502, which costs about 25 pence per kg. Enough 69-S to fill a supermarket refrigeration system would then cost around £4,000 - far cheaper than changing the compressors over to R22.

Rhéne-Poulenc claims to be the first manufacturer to bring a drop-in replacement for R502 to the market. Competitors are developing their own mixtures. "We're working on a number of mixtures but we have to consider whether they are environmentally acceptable solutions, even as interim products," says Chris Tane, new fluorocarbons marketing manager for ICI.

The general-purpose CFC coolant used in domestic refrigerators, air conditioners and small commercial chillers is R12. The chemicals industry has introduced a chlorine-free replacement for R12 - RHC134a - but this is not suitable for larger industrial systems or for low-temperature supermarket freezers.

Ibbotson says that Sainsbury's is planning to install a dual refrigeration system in its new supermarkets. It will use RHC134a as coolant for its chiller cabinets (kept just above freezing point) and R22 for the frozen food cabinets.

Du Pont of the US has launched the first commercial replacement for R11, a CFC central air conditioning system. Du Pont says it will produce thousands of tonnes per year of the material, RHC1123, at its plant in Maidland, Canada.

TELEVISION

Clarity reaches a full stop

Christopher Dunkley criticises the grammar of documentary makers

Have you been watching the *In Solidarity* programmes on BBC2 about the state of politics in Poland and the way things have been going in that country in recent months? Did the absence of essential information drive you to distraction? What about another BBC2 series, *Culloden*, made in a somewhat similar manner, dealing with a much smaller society, a primary school in central London: while fascinating because of the seeming authenticity of each sequence, do you feel that the programme makers' methods are really best suited to finding and conveying the truth about this institution?

The more important a programme, the more significant the grammar in which it is made and vice versa. There is little point in studying the grammar in *Beano*, so there is no need to pay much attention to the grammar — the audio visual techniques — of a make *Neighbours*. On the other hand, the grammar of series such as *In Solidarity* and *Culloden* is crucial.

It has long seemed to me clear that, contrary to the snooty beliefs of so many print-limited academics, politicians, and even journalists, there are things that television can do which print cannot. The title of one of the seminal series in this area was *The Space Between Words*. Made 20 years ago by Roger Graef, it set out to explore (within a family, among diplomats, during a factory strike, and so on) precisely that area described in the title. It proved that no book can match the vividness of television in conveying the look on the face of a child during a family argument — and that look may be as important as whole paragraphs of words.

Three years later Paul Watson made a series called *The Family* which involved him and his crew virtually living with the Wilkins family in Reading, to see how the parents and their children and lodger rubbed along together... or failed to. Watson is the executive producer of *In Solidarity*, and looking at his programmes you guess that the relationship between Polish politicians and television crew may have been reminiscent of the Wilkins arrangement. In 1982 Graef spent nine

months with the Thames Valley Constabulary and produced *Police*, a famous (some say notorious) series about how the police behave... at least when there is a camera present. One of the camera operators was Diane Tammes who gets both the camera and director credit on *Culloden*.

So the "cinema vérité" or "fly on the wall" school is pretty small, but what they do seems important because there is one of the few areas where television is creating (or, for purists who remember such films as *We Are The Lambeth Boys* and the roots of this tradition in the cinema, extending its own form rather than borrowing somebody else's. The trouble is that in trying to develop television's own techniques of journalism there is an unfortunate tendency to discard simple bits of grammar. To the programme maker perhaps they seem crude and distracting, but for the viewer the results can be infuriating.

For instance, while watching

the opening episode of *In Solidarity* I scribbled the following phrases in my notebook: "This is very confusing. Where and when is this meeting with Walensa taking place? What is the significance of this family scene at Christmas with much kissing and what looks like a cross between communion wafers and chewing gum? ... Why are we getting no context? ... When will they tell us the date? And so on. It is not as though the series has no narrator. Bernard Hill does a splendid job of looking up his name which proves he has the most important quality in a narrator: unobtrusiveness) but he is given a minimum to do, as though the producers were frightened of seeming didactic — "Mustn't ram it down their throats." Perhaps they feel that keeping on putting up the date in a caption would be gauche, and, worse, that it would break the flow of visual images. But this is supposed to be journalism, not art. We need those dates to make sense of matters.

Yet it would have been even better if, instead of having to identify the chief participants in one's mind as "baldy," "stutterer," "beardy" and so on, and being left to work out where they stood in the political spectrum, and in the pecking order of power, we had simply been told, either in voice-over or via captions. The reasons for not doing so (the look of the programme, "it's not who they are that matters but what they say," it would act as a Brechtian alienation trick) are all

Culloden has sometimes suffered from virtually the opposite fault: it has provided written information in the form of ribbon captions (the sort that flow along the bottom of the screen from left to right) which may look awfully handy to programme makers but are viewer-hostile. Whereas the conventional voice-over provides information additional to the pictures which we can easily assimilate simultaneously, the ribbon caption forces us to choose between reading the words and watching the pictures.

This is so obvious that, like the absence of basic information during *In Solidarity*, it raises the question of what editors or executive producers are doing these days. If they are not sitting at the back of the editing suite during the rough cut saying "My dad's never going to understand this," what on earth are they doing?

Most worrying of all is the feeling that programme makers are beginning to fight shy of even spelling out facts methodically for fear of seeming supercilious or preachy. Something like this appears to have ruined what might have

been a marvellous series on Channel 4: *Orchestra*, presented by Dudley Moore and Georg Solti. The greatest surprise was that Moore, the articulate comedian/film star/seemingly natural communicator was almost tongue-tied half the time (and very silly the other half) while Solti proved a born presenter.

But what spoiled the series was the seeming lack of a coherent idea about what it wanted to convey. The occasional brief and jokey chat between Moore and one of the musicians about the funnier aspects of an instrument is no substitute for a properly planned exploration of the orchestra with simple explanations of how the instruments are played. Is it possible for a string player to produce an unbroken note with an upstroke and a downstroke of the bow? You could watch *Orchestra* and never know.

The impression conveyed by *Culloden* is that the teachers feel as embarrassed about imposing "facts" upon their pupils as television producers do about imposing facts upon viewers. Actual teaching (nasty pedagogic stuff like showing children how to read and write) seems to have been abandoned entirely in favour of day-long group therapy. That such therapy is needed although this is only a primary school is hardly in doubt: in last week's episode we heard of a five-year-old boy who dragged a girl into the lavatory, took her pants off, went through the motions of rape, and informed her that he would be taking her back to his flat later for sex.

Yet we are left to work out for ourselves from odds and ends of evidence whether this is really a typical occurrence, or quite abnormal, just as we have to try to decide on our own whether they are actually given to teaching arithmetic altogether or if we have been misled by the programme makers' concentration on the bizarre. Somehow we, the viewers, must convince the programme makers that the purity of observational television is not irretrievably sullied by the inclusion of key facts in familiar grammatical forms such as commentary and caption.

ARTS

Dances Concertantes

COVENT GARDEN

On the evening of January 18, 1955, the audience at Sadler's Wells was bowled over by a first sight of Kenneth MacMillan's *Dances Concertantes*. It was quick and spiky and witty and bubbling with steps and ideas, and was quite clearly the work of a young creator happily intoxicated by the possibilities of dancing. He was shaking classicism up, turning Petipa on his head and seeing what fell out of his pockets. Thirty-six years later, *Dances concertantes* has lost none of its youthful enthusiasm, not its quick-witted wit with academic form nor its power to delight. Placed in the current Opera House triple bill as the prologue to Macmillan's more and more stirring *Winter Dreams*, *Dances* is a joy still, and even contains a few hints of what the choreographer is creating today.

The ballet has been re-designed by Ian Spurling, I greatly admire the original Georgiadis setting — like a mad Gothic maison de passe — but Spurling's new concept is nicely jokey. He places the action in some vast municipal

baths, all echoing tiling and Art Deco patterns, and clothes the cast in the latest street-wise undress of one-piece swimsuits and undergarments and boudoir-jackets, with punk hair-styles for the men. The spaciousness of the design, the space of the stage, allow the dance to expand and breathe, and not the least significant fact about this production is that the choreography blossoms in its new locale.

Dances concertantes looks, even now, a young and contemporary work. It retains the precious quality of eager fascination with steps that first inspired it. Though there is a tendency to say about ballets of a previous generation, "Ah, but you should have seen it when..." this revival shows me the ballet I so enjoyed in 1955 with its pleasures undimmed. The reason, quite apart from admirable casting this season, is that Macmillan's dances have for their first aptness in movement matching the score. Stravinsky has provided a feast of rhythms, and these are the motor force for the choreography. How alert

the young Macmillan was to each shift of pulse. How clever in catching an idea and finding its exact mirror in step — the music's loping metre suddenly turns the boys into horsemen. How exact, already, his sense of classic form, so that the three girls' solos are related to the fairy variations in *Sleeping Beauty*. And how fresh, still, the pointing fingers and light, turning shifts of angle in head and torso, that so cleverly twist a traditional pose into something lively and new and valid.

The performances are strong, sure. I admired very much Fiona Brockway as the leading girl, witty and musical as Maryon Lane who created the part, and Tetiana Kumakova must be saluted for the mercurial speed and clarity of her account of the big male solo. About *Winter Dreams* which follows, I can but note that the sense of atmosphere, the magnificent company performances, seem even more Chekhovian at a second viewing. Strongly recommended.

Clement Crisp

The Rake's Progress

ROYAL COLLEGE OF MUSIC

The tale of *The Rake's Progress* is no doubt good for the spiritual well-being of students, while the challenge of getting to grips with Stravinsky's music is unlikely to do them any harm. This opera makes an ambitious choice for any music school, and the Royal College of Music will have been pleased to have turned in a good show, as engaging to look at as it was to listen to.

Under the arc of a great clock-face time ticked away. The hours spent in debauchery and excess will not last long, it seemed to say. Soon the moment of reckoning will arrive and poor Tom dully met his fate as the twelfth hour struck, a large XII in roman numerals hanging ominously over his grave. With costumes progressing from Georgian to the present day, the production also made it clear that this is a moral for all time.

Altogether it was a stylish presentation. In some major

opera-houses one would be glad to find the story illustrated by designs as effective as those of Bernard Cusshaw; or as strikingly well-lit as these were by John Bishop. The producer Mike Ashman had wisely not devoted all his energies to trying out some personal theory of the opera, as others in charge of student productions have been tempted to do in the past.

The tale was simply well told. And, more important, the hours spent in debauchery and excess will not last long, it seemed to say. Soon the moment of reckoning will arrive and poor Tom dully met his fate as the twelfth hour struck, a large XII in roman numerals hanging ominously over his grave. With costumes progressing from Georgian to the present day, the production also made it clear that this is a moral for all time.

Altogether it was a stylish presentation. In some major

made a touching Anne Trulove, a soprano with an attractive edge to the tone, who gave us some beautiful moments, including an exquisite final "farewell" to Tom. The Nick Shadow was Richard Chew, the most experienced member of the cast, not large of voice, but firm and true, every line played with a sharp eye for detail.

Katrina Makepeace-Lott made a strong Baba the Turk, but it was Philip Slane's East-End shark of an entrepreneur, straight out of the world of Lovejoy and his mates, who was the star of the smaller parts. In the pit James Lockhart and the RCM Opera Orchestra gave a fine account of themselves, if only the playing did not always sound straight out of the past, not large of voice, but firm and true, every line played with a sharp eye for detail.

Richard Fairman

Abdullah Ibrahim and Ekaya

JAZZ CAFE, NW1

The gentle South African jazz music of pianist Abdullah Ibrahim's Ekaya (Home) seems to come to the listener from a distance. From the first creaking notes and soft chanting — eekayaaa — you know who is coming. Persuasive bass lines and muted horns hold the attention until the swaying caravan of sound arrives and a melancholy celebration of African music gets underway.

Ibrahim's musicians have always maintained a solemn air about them, and treat their fellow solos, coming in strict rotation each time, with reverence: eyes down or closed and hands clasped. Even in a club setting the overall effect is soothing, pleasantly soporific, rather than thrilling. The seven pieces of the ensemble are not accompanists to Ibrahim's piano nor do they play hugely complicated parts. More important is the softly lyrical, careful interpretation of his moving compositions. The understated inspiration of the slower pieces is gripping; Ibrahim's piano provides a

dreamy commentary to the luscious electric bass from Spencer M'Babu. But they can swing, in a controlled way, and do so in the carnival-tinged pieces, Johnny Mekoa's still muted trumpet set sharply against the breathy alto sax of Robbie Jansen (itself muted by his flute jammed in the bell).

Much has been written in the last few years about "musical tourism," and African music has become firmly established in the club and concert hall.

Ibrahim has been exporting the liberating music of South Africa, subtly wrapped in the jazz idiom, for donkey's years. Dollar Brand, as he was known then, brought up to the gospel sounds of the African Methodist church as well as traditional songs, is said to have been the first black musician to make a record in his native South Africa.

He was subsequently "discovered" by Duke Ellington in the early '60s, while living in Europe. Later, lured to the States by Ellington for the Newport festival, he

joined the abstract scene, playing with Ornette Coleman and Don Cherry, a flirtation which ended with his conversion to Islam and Abdullah Ibrahim's return to African roots via Ekaya.

The seven-piece band wraps all that background up — the hymns, Ellington and the traditional — into a procession of sound which which disappears all too soon over the horizon, as unobtrusively as it arrived.

Garry Booth

Winning books

Novelist William Boyd has been awarded the 1990 James Tait Black Memorial Prize for fiction for his book *Brasserie Black*. The biography section of the awards, worth £1,500 each, was won by Claire Tomalin for *The Invisible Woman: The Story of Nellie Ternan and Charles Dickens*. The awards will be presented in Edinburgh tomorrow.

Salieri & Mozart

BARBICAN HALL

Not Rimsky-Korsakov's little opera *Mozart and Salieri*, but a double bill from Antonio Salieri and Mozart themselves — respectively *Prima la musica, poi le parole* and *Le Nozze di Figaro* — sketches commanded by the Emperor Joseph II for a grand entertainment just over 200 years ago.

The pieces were quite independent. Richard Hickox had the happy idea of putting them on together at the Barbican on Saturday, with his City of London Sinfonia and a troupe of appealing singers. They were billed as "semi-staged," which hardly did justice to the work of the director-designer Henk Schut; neither piece demands much, but Schut's simple, handsome sets and costumes were everything needed. Rapport between the actors, stage right and centre, with the conductor and band due left was noticeably less than perfect.

Salieri's *divertimento teatrale* and Mozart's "The Impresario" both feature competing prima donnas.

In Salieri, however, there is also a professional face-off between a composer and his poet. They get most of the newly-composed music, apart from the cheerful Overture; for the preening soprano, one from the opera seria and the other a soubrette, Salieri mostly plundered his other operas and such. But if the jest is slightly over-stretched at nearly an hour, it shows enough lively expertise to refute the *Amadeus* libel upon the composer.

The bass Jonathan Best made the composer a Stephen Fry done, to good effect, while Richard Jackson's poet belied such. But if Juliet Booth's *grande dame* had the right airs, and delivered her tragic extracts in assured style, there was nothing much of the son-

brette about Catherine Pierard, though she sang firmly. The translator Lionel Salter offered some neat period-pastiche. Unlike the Salieri *Prima la musica, poi le parole*, *Le Nozze di Figaro* has spoken dialogue not recitatives — reams of it, with some non-singing actors.

As usual, the version we heard (by Eric Blom) was much adapted and trimmed: just enough dialogue to establish the basic action, and to set off the musical numbers. Mrs Heartfelt gets an elaborate expressive aria and Miss Silverstone a dashing rondo.

Though the efficient Hickox let it end too staidly, and I doubt that the soprano voices Mozart expected were much like Nan Christie's or Elisabeth Gale's, it was all good, reasonably elegant fun. Adrian Thompson did his Roy Kinnear thing again.

David Murray

Anna on Anna

OFFSTAGE DOWNSTAIRS

London theatre is getting used to one person shows because of the recession. This one is a beauty. Here on a cold, slushy night in Chalk Farm the Offstage Downstairs was packed (which means an audience of about 70) to see Ilona Linthwaite perform *Anna on Anna* by Adrian Mitchell.

Anna is Anna Wickham, a Scottish poet and feminist whose dates are 1894-1947 who was partly lesbian and partly a lesbian. It is my fault that I have never heard of her before; others must have done. Some of her verse quoted in this show is very good indeed. So is the entire production, which is directed by Cordelia Monsey.

How far Anna was a crusading lesbian must be open to doubt; one suspects that some of the feminism has been written in with hindsight. She was, as she says at the end, "not sufficiently like anyone else to

invite the essence of true friendship". She married, bore children, was committed to a mental home, but returned to married life. She loved other women, but her passion was to have been unrequited. She also sang and wrote her poems. Her last, she claims several times, was "a lust of words".

The way it comes out on stage is a mixture of straight chronology, readings from her verse and going through the characters in her life as though they were part of the washing. Anna is a fantastic about-tidiness. Each character has a face on a garment. All go up neatly on the washing line. It is from this line that Anna hangs herself, first having put away the clothes. You can see it coming a mile off, but that does not lessen the fascination. Ms Linthwaite is superb.

Malcolm Rutherford

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Muziektheater 20.00 Tim Albery's production of Benvenuto Cellini conducted by Peter Hirsch, with David Kuebler in title role. Also Sat (255456)

BERLIN

DANCE Staatsoper unter den Linden 19.30 Carmen-Suite and Balanchine's Symphony in C, with music by Bizet (2004 762)

Kommische Oper 19.00 Tom Schilling's ballet Wahlverwandtschaften with music by Schubert, also Sat. Tomorrow: Swan Lake (2292 555)

Deutsches Oper 18.30 Firebird choreographed by Bjart, Roland Petit's Carmen and Balanchine's Symphony in C (3410 249)

MUSIC Schauspielhaus 20.00 Carlo Maria Giulini conducts Berlin Philharmonic Orchestra in Mozart's Requiem and Sinfonia Concertante for four wind instruments. Also tomorrow (2614 393)

THEATRE

Deutsches Theater 19.30 Ionesco's The Bald Prima Donna (2671 225)

Schaubühne 19.30 Peter Stein's

production of The Cherry Orchard. Also Sat and Sun (890023)

Volksbühne 20.00 Molière's Le Malade imaginaire (2082 748)

DRESDEN

Today and tomorrow Dresden marks the anniversary of the wartime destruction of the city with memorial concerts by the Dresden Philharmonic in the Kulturpalest at 19.30 (Jörg-Peter Weigle conducts Berg's Violin Concerto and Mozart's Requiem) and by the Staatskapelle at 20.00 (Frieder Serries conducts music by Schütz and a Requiem by Johann David Heinichen)

FRANKFURT

Jahrhunderthalle Hoechst 20.00 Paris Opéra Ballet in Don Quichotte, choreography by Rudolf Nureyev, with music by Ludwig Minkus. Also tomorrow and Fri (3601 240)

HAMBURG

Staatsoper 19.00 Lady Macbeth of Mtsensk conducted by Donald Runnicles, with cast headed by Olivia Stapp, also Sat. Tomorrow: Catherine Malfitano sings Madama Butterfly (351555)

Deutsches Schauspielhaus 19.30 Goethe's Reinke Fuchs directed by Michael Bogdanov. Tomorrow: Romeo and Juliet (2487 13)

LONDON

DANCE Covent Garden 19.30 Viviana

Durante dances Manon, choreography by Kenneth MacMillan, music by Massenet. Tomorrow: Altylna Asymuralova dances the title role (240 1066)

MUSIC

Coliseum 19.30 David Alden's staging of Oedipus Rex and Duke Ellington's *Black and Tan* with Mark Elder, with Gwynne Howell as Bluebeard and Sally Burgess as Judith. Also Fri (836 3161)

Royal Festival Hall 19.30 Yuri Temirkanov conducts Royal Philharmonic Orchestra in programme of Prokofiev and Stravinsky, with Dmitri Alexeev soloist in Prokofiev's Third Piano Concerto. Tomorrow: Libor Pesek conducts the Philharmonia (928 8800)

Barbican Centre 19.45 Colin Davis conducts English Chamber Orchestra in all-Mozart programme (638 8891)

THEATRE

This week's shows include The King and I starring Susan Hampshire (Sadler's Wells), Christopher Hampton's new play White Chameleon (National), What the Butler Saw by Joe Orton (Wyndham's) and Pinter's The Homecoming (Comedy).

Phone Theatre: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MILAN

Teatro alla Scala 20.00 Jonathan Miller's production of La Fanciulla del West conducted by Lorin Maazel, with Giuseppe Giacomini as Dick Johnson and Mara

Zampieri as Minnie. Also Sat (7200 3744)

MUNICH

Staatsoper 20.00 Hildegard Behrens sings Marie in revival of Dieter Dorn's production of Wozzeck, conducted by Heinrich Reiss. Fri: One Ringgold opens Ring cycle conducted by Sawallisch (221316)

Prinzregententheater 19.00 Schiller's Die Räuber (225754)

NEW YORK

Metropolitan Opera 20.00 Plácido Domingo sings Rodolfo in La bohème, also Sat. Tomorrow: Die Zauberkraft (382 5000)

DANCE

New York State Theatre 20.00 Triple bill with New York City Ballet, including Peter Martins' Ecstacy Orange, music by Michael Torke (870 5570)

THEATRE

This week's shows include Fallettland, William Finn's musical featuring a Bar Mitzvah in the hospital room of a man dying of AIDS (Lucille Lortel), Shogun: The Musical, which boasts an earthquake among a string of spectacular effects (Marquis) and Stephen Sondheim's new musical Assassins (Playwrights Horizons). Ticketron (246 0102) answers inquiries and sells tickets

PARIS

DANCE Palais Garnier 14.30 and 20.00 Bolshoy Ballet in Hommage à Petipa. Runs till Sun (4742 5371)

MUSIC

Centre Georges Pompidou 20.30 Jukka-Pekka Saraste conducts Ensemble InterContemporain in music by Anders Eliasson, Magnus Lindberg, György Ligeti and Stravinsky (4260 9427)

Théâtre des Champs-Élysées 18.30 Mozart piano trios with the Trio Wanderer. Tomorrow: Georges Petre conducts Orchestre National de France (4720 3637)

Salle Pleyel 20.30 John McLaughlin and Peco de Lucia play guitar concertos with Orchestre de Paris conducted by Semyon Bychkov, also tomorrow and Fri (4563 0796)

Comédie Française 20.30 Beaumarchais' Le Barbier de Séville, also Sun (4366 4360)

Théâtre de la Ville 20.30 Calderon's The Wonder-Working Magician. Runs till Sat (4274 2277)

Théâtre des Bouffes du Nord 20.30 Peter Brook's production of The Tempest. Runs till March 2 (4607 3450)

PRAGUE

Smetana Hall 19.30 Juozas Domarkas conducts Prague Symphony Orchestra in Tchaikovsky's Fifth Symphony, with Jan Opatos soloist in Ravel's Tzigane and Chausson's Poème (232 8222). Fri: Jiri Belohlavek conducts Czech Philharmonic Orchestra in Dvorak's Stabat Mater (231 9164)

STOCKHOLM

Royal Opera 19.30 Tales of Hoffmann sung in Swedish. Fri: Tosca (248240)

Konsertstaden 19.30 Andrew Davis conducts Stockholm Philharmonic Orchestra in music by Schoenberg

and Dvorak, with Hakan Hardenberger soloist in Hummel's Trumpet Concerto. Repeated tomorrow and Sat (244130)

VIENNA

Musik Staatsoper 18.30 Leonidas Vadiu sings Manon, with Doreen Gulyas as Des Grieux, also Sat. Tomorrow: Fidelio (51444 2960)

Volksoper 19.00 Die Zauberkraft. Tomorrow: Einführung (51444 3318)

Musikverein Großer Saal 19.30 Claudio Abbado conducts Vienna Philharmonic Orchestra in all-Mozart programme, with Wolfgang Schulz soloist in Flute Concerto (505 8190)

Recital by Renata Scotti, with songs and arias by Bellini, Verdi, Rossini and others. (505 8190)

THEATRE

Akademietheater 19.30 Rolf Hochhuth's Sommer 14 (51444 2218)

Burgtheater 19.00 Konig Ottokars Glück und Ende directed by Wolfgang Engel (51444 2218)

ZURICH

Opernhaus 19.30 The Firebird and three other ballets choreographed by Uwe Scholz. Tomorrow: Der Zigeunerbaron (251 0900)

Tonhalle 20.15 Murray Perahia plays Beethoven's Piano Concerto No 5 with the Tonhalle Orchestra conducted by Hiroshi Wakasugi, also tomorrow. Sat: Otto Mustonen conducts Czech Philharmonic Orchestra (201 1500)

Schauspielhaus 20.00 New production of Dürrenmatt's Der Meteor (251 1111)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

Europeat 0600-0630 International Business report CNN

0600-0630 Moneyline 0600-0630 Moneyline 1230-1300 CNN Market Watch 1300-1400 Business Day 2000-2030 World Business Tonight - a joint FITCHN production with a review of the day's major business stories 2300-2330 World Business Tonight

0100-0130 Moneyline Superchannel 0700-0830 Financial Times Business Report

A five minute business briefing broadcast three times between 0700 and 0800 2130 (Wed only) Financial Times Business Weekly - the latest business round-up.

SATURDAY

CNN 0800-0830 Moneyline 0800-0830 World Business Tonight - a joint FITCHN production

1540-1610 Moneyweek 1600-1630 World Business This Week 2110-2140 Your Money

SUNDAY

Superchannel 1800-1830 FT Business Weekly CNN

0710-0740 Moneyweek 0710-0740 Your Money 1900-1940 Moneyweek 0040-0110 Inside Business

Wednesday February 13 1991

Airlines in crisis

THE INTERNATIONAL air transport industry is confronting the grimmest threat to its future for half a century. Coming on top of growing recessionary pressures worldwide, the higher oil prices and widespread fear of flying induced by the Gulf war have caught airlines almost everywhere in a vicious squeeze between collapsing revenues and rising costs. These problems pose a severe challenge, not just to individual carriers' powers of survival, but to policymakers' nerve - above all in Europe.

In the US, government authorities seem reconciled to the prospect that the recent shake-out of the industry will accelerate, as weaker carriers go to the wall. Their main concern is that the process should not result in excessive, anti-competitive concentration. In Europe, by contrast, most governments seem bent on ensuring that, however bad things get, their national flag carriers remain in business.

European airline passengers have no reason to be grateful for this generosity of spirit, which is linked only tenuously to safeguarding essential public services. Its real motive is countries' long-standing insistence on promoting and protecting their own flag airlines - usually state-owned - at the expense of economic reason.

It is a measure of the severity of the crisis that even airlines such as Sabena of Belgium, which have hitherto shown a remarkable ability to defy economic gravity, have finally been forced into long overdue restructuring and cost-cutting. It is questionable, however, whether such measures will hit hard enough so long as governments continue to support carriers with subsidies and implicit guarantees against bankruptcy.

Emergency measures

Against this background, the European Commission's latest concern should not be to confine in bailing out troubled airlines, but to ensure that whatever emergency measures are taken do not imperil the progress of deregulation. Above all, the Brussels Commission, which is under strong political and industrial pressure to intervene, needs to keep the

causes of the airlines' difficulties clearly in perspective.

An end to the Gulf war will relieve only some of the industry's woes. The cyclical downturn in the world economy, already under way before the Kuwait invasion, seems likely to ensure a lengthy period of excess capacity. As a consequence, Brussels can expect strong industry pressure to prolong indefinitely any supposedly temporary pauses or U-turns which it permits on the road towards liberalisation.

Capacity reduction

As well as limiting such measures, the Commission needs to keep up the impetus for substantial capacity reductions in the industry. It can best do this by authorising government subsidies only when backed by binding commitments to re-structure the airlines concerned. Mergers, particularly across frontiers, are probably indispensable to a more streamlined European industry. But it is important that they demonstrably benefit efficiency and are not merely a pretext for preserving or extending monopolies.

Insofar as EC policy concerns itself with the survival of individual airlines, it should focus on the small, independent carriers which are often the most efficient operators and the most effective source of competition. However, their lack of powerful government sponsors makes them exceptionally vulnerable to the crisis. While there is little Brussels can, or should, do to aid them directly, it needs to ensure that nothing is done to help their larger state-owned rivals which would leave the independents at a still bigger disadvantage.

The toughest test of the EC's single market programme was always bound to come during a period of economic difficulty. If the Community's members regard to the troubles of the airlines by reverting to the stubborn defence of national interests, they will not only set back the task of breaking down obstacles to freer competition in that particular sector. They will also raise doubts about the extent of their commitment to the wider enterprise of economic integration.

Charming the other Europeans

BRITAIN'S approach to the European Community has undergone an apparent revolution since Mr John Major became prime minister. For perhaps the first time a British government is giving every sign that it intends to behave as a wholehearted member, content to be inside the club and anxious to play a leading part in its further development. The tempestuous relationship of the 1980s has been replaced by a charm offensive led by the prime minister.

It is much too soon to hazard a guess as to what precisely this will mean. The change of tone cannot be measured by how much it results in a concession on the hard Euro here, or a sub-clause on European political union there. On the contrary, Mr Major's most significant contribution to British foreign policy to date may be his ability to grasp that it is not the way continental Europeans think. What is significant is the new tone itself. For nearly half a century British governments have been urged to talk the language of the good European; once this is done, it has been argued, the welcome to the continent and the opportunity to pursue national interests in negotiating the small print of each new treaty will still be there.

Secure marriage

There is a further consideration, of equal importance. Since the Community's inception, its leading members have been France and Germany. The Bonn-Paris understanding has not invariably been based on a mutual desire to exclude Britain: London has excluded itself. Now Mr Major is seeking to build relationships with Mr Helmut Kohl the German chancellor, and President Francois Mitterrand of France. He cannot hope to break the Franco-German marriage, which is secure, but - given time and much effort - Britain could aspire to become part of a European ménage à trois.

Events have conspired to make this at least a possibility. The new Germany, freshly united, is searching for a foreign policy of its own; it is naturally more open to overtures from a friendly British government than were either of the two old Germanys. France, not

Economic convergence

Since the French are themselves beginning to appreciate that economic convergence must precede monetary union, the chances of reaching a tripartite agreement have improved. Again, when it comes to the convergence of political union, the Germans are traditionally relaxed about federal or confederal structures, while the French are as conscious of their national sovereignty as the British.

In theory, therefore, Mr Mitterrand should be Mr Major's natural ally in heading off moves towards a single security policy managed by the EC on a majority vote, just as Mr Kohl should be an ally in putting off the date on which a single currency is introduced. That would get the British Conservative party off the hook in the run-up to a general election. Matters European are never as simple as that. France and Germany remain committed to the long-term goals of economic, monetary and political union. Both are willing to compromise in order to achieve packages acceptable to Britain. The EC will not be a federation for the constant revision and reaffirmation of treaties between nation states. In this sense nothing has changed. But if Britain is willing to compromise in order to maintain a Europe of the Twelve, everything has changed.

To the casual eye, the behaviour of world stock markets in the past week or two has been even odder than usual. The year could scarcely have started worse: war, recession, ominous strains in the world banking system and mounting chaos in the Soviet Union. The response on Wall Street has been a buying panic. On Monday, the Dow Jones index jumped 72 points to within striking distance of its all-time high.

Other markets have been dragged along in Wall Street's wake: London by 6 per cent since the turn of the year, Tokyo and Frankfurt by 5 per cent each. Part of this is the product of rational analysis. The rest is trickier to explain.

An important and paradoxical element in market psychology has been the Gulf war itself. For consumers and industrialists the effect has been sharply increased uncertainty and a downturn in economic activity. But for the markets, which hate uncertainty above all, the effect of the war has been the reverse.

It could be argued that the markets did their real worrying between the invasion of Kuwait last August and the outbreak of the fighting. Since then, they have convinced themselves that the war will be a relatively contained affair. Above all, the chief concern had been the oil price. But on the outbreak of war the oil price fell by a third. It has scarcely moved since.

After that unexpected outcome, the most pivotal event for the markets was the decision 10 days ago by the US Federal Reserve to cut interest rates. Confusingly enough, this came the day after the German authorities raised interest rates. But the markets seem to have had no difficulty in deciding which signal to follow.

"The overriding factor everywhere," says Roger Palmer of the London stockbrokers Kleinwort Benson, "is that interest rates have peaked. The degree to which markets have reacted has depended on two things: first, where each economy is on the interest rate downslope; second, how much liquidity there is in each market and how nervous people are about holding it."

The picture in individual markets is complicated by differences in timing within the economic cycle. In the US, the clear belief is that the loosening of monetary policy has further to go.

Mr Alan Greenspan, the Fed chairman, has stated repeatedly that he is not satisfied with the slow growth of the monetary aggregates. The half-point cut in the discount rate was taken as confirmation that the Fed is prepared to ease policy more aggressively. Indeed, the decision to turn on the monetary taps is reminiscent of the easing by the former Fed chairman Mr Paul Volcker in 1982 which

It could be argued that the markets did their worrying between the invasion of Kuwait and the outbreak of fighting

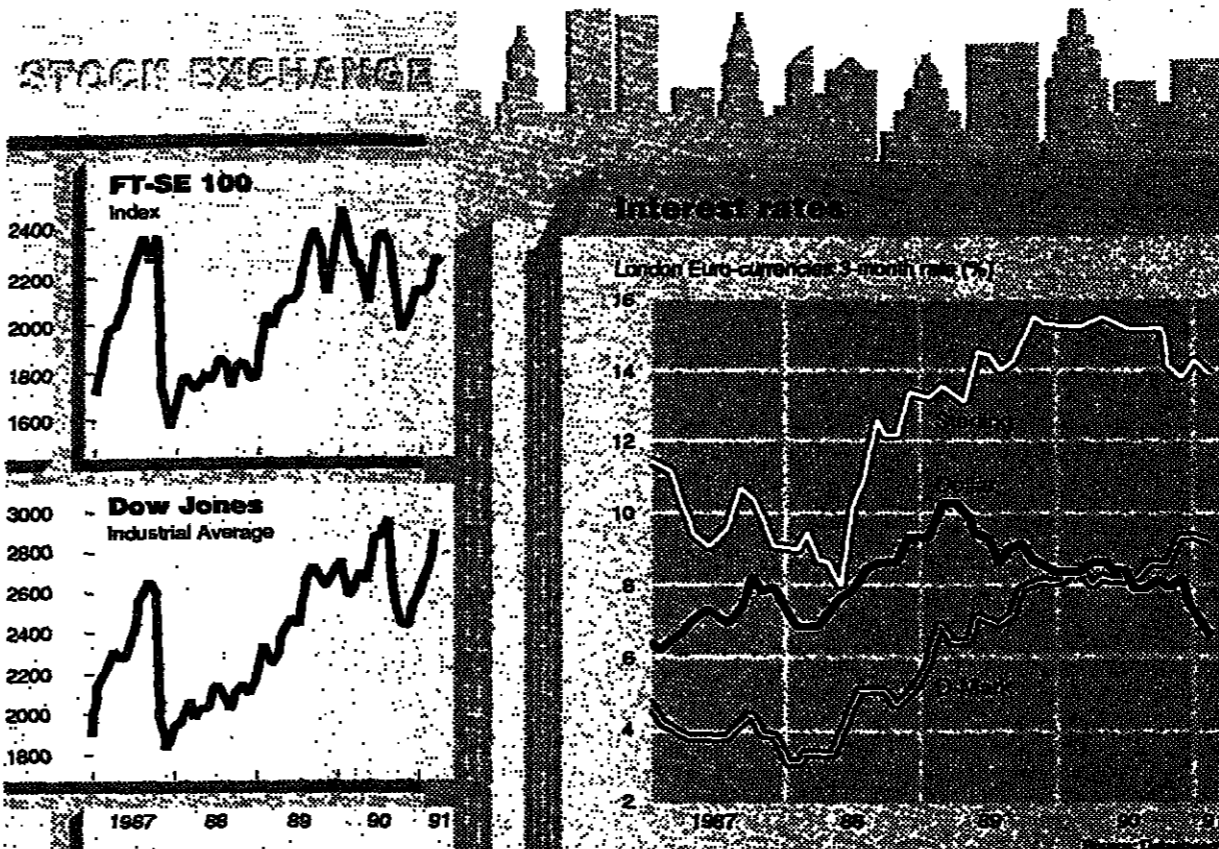
ushered in one of the longest stock market rallies in post-war history.

Expectations of easier money were fuelled yesterday by remarks in the Economic Report of the President. Mr Michael Boskin, the White House chief economist, said the Fed should note that a decline in interest rates is not necessarily a sign of monetary easing; it could merely reflect reduced demand for money. He says the Fed may need to reconsider its preliminary target for M2 growth this year, which is 2½ per cent to 6½ per cent. Mr Boskin may announce revised targets in next week's Humphrey Hawkins testimony to Congress.

Mr Robert Giorlando, chief economist at Goldman Sachs in New York, says the market rally reflects a belief both that the Fed has made a "mental

Tony Jackson, Michael Prowse and Patrick Harverson explain why world stock markets are buoyant at a time of war and recession

The bulls start to charge again



commitment to lower rates as far as necessary to stabilise the economy" and that monetary policy will be effective in reviving growth. The pessimistic view of some Keynesians that monetary policy is like "pushing on a piece of string" is rejected by most analysts. So are fears that a worsening credit crunch and deflating asset values will pull down the economy.

The second factor supporting the rally is confidence that the US recession will be short and shallow. This reflects the view that companies are keeping strict control of inventories, that inflation is much less of a concern than in previous downturns, that lower oil prices will increase consumers' confidence and purchasing power and that the weak dollar will support continued growth of exports.

It is becoming hard to locate a pessimistic forecast. The latest consensus forecast of 52 blue chip economists shows GNP falling at an annual rate of only 1.3 per cent this quarter compared with 2.1 per cent in the fourth quarter of 1990. Recovery begins in the spring with growth at an annual rate of 0.5 per cent in the second quarter, rising to 2 per cent in the third and 2.6 per cent in the fourth.

Mr Boskin's report is suffused with economic optimism. It portrays the recession as a blip: a temporary interruption that will be followed by a prosperous decade of rising labour productivity and growth. From 1992 onwards, the White House confidently predicts growth in excess of 3 per cent a year with interest rates sticking at 6 per cent or below.

Recent economic statistics, however, give no indication of an early recovery. Consumer confidence, as measured by the Conference Board in New York, plunged in January to its lowest level for a decade. The markets confidently expected good January employment figures. In the event, 230,000 jobs were lost in the non-farm sector. The losses were concentrated in manufacturing and construction. Overall, about 900,000 factory jobs have disappeared in the past two years, half in the past five months.

The Purchasing Managers' Index, a widely watched gauge of industrial conditions, also fell sharply in January to 37.7 per cent from 40.5 per cent in December. This was a much bigger fall than expected and took the index to its lowest level since May 1982. A level of 44 per cent or below is generally taken to indicate an economy-wide recession.

Dr Janet Norwood, head of the Bureau for Labour Statistics, says some sectors - such as construction - have been harder hit in recent months than in 1981-82. The decline in manufacturing employment is also comparable if one includes the heavy job losses before the recession proper began. She says the dismal employment figures for January give no indication of an improving tone in the economy this quarter.

But there are more specific reasons for the rally. There has been a lot of cash waiting to get back into equities. At the end of December 1990 11.4 per cent of the total assets of US mutual funds - some \$28bn - was held in cash. This was high by the standards

of the past 10 years, with worries about war, recession and declining corporate profits persuading institutions to avoid the stock market. Much of that is now going into shares.

Market sentiment also pointed to a market recovery. Stock market analysts like to look at sentiment indicators on a contrarian basis. The more people are pessimistic, the likelier that the bulk of the selling is over. Investors Intelligence, a US research organisation, conducts a weekly survey of approximately 150 investment advisers. At the end of the second week in January, 54.3 per cent of those surveyed were bearish, one of the highest readings since June 1982.

Portfolio managers saw the survey as evidence that the bear market was near its end. As one economist put it, the figures suggested mid-January was a "low-risk entry point" into the market.

Then there was the question of valuation: were US stocks cheap in mid-January? Mr Ken Spence, stock market economist at Salomon Brothers, says the earnings yield gap suggested just that. The gap between yields on the Standard & Poor's 500 index and on 10-year US government bonds was only 115 basis points in the middle of last month, at the lower end of the historic range of zero to 400 basis points. "Stocks were not dirt cheap, like in 1982 and 1983, but at the low end of their 10-year range and thus attractive," says Spence.

Finally, a technical analysis of the market suggests that the recent rally is a fundamental change in direction. Technical analysts look at breadth -

the difference between the number of stocks that rise each day and the number that fall - and volume, the daily turnover of shares. Before mid-January breadth and volume were contracting on sell-offs. Since mid-January, both have been expanding on rising prices.

Taking all these factors together, a growing number of Wall Street economists are convinced that the bear market is over. "The momentum surge and the decline in interest rates indicate the emergence of a new bull market," says Ken Spence.

Yet not everyone is taken in by the recent rally. There has undoubtedly been an element of panic about the buying as investors rush to make sure they do not miss out on the birth of a bull market. "A feeding frenzy," was how Mr Scott Black, a fund manager with Delphi of Boston, described it.

Mr Black says that investors are overvaluing the fundamentals and bidding stocks up to "ridiculous" levels. "The market is way over-priced at the moment," he says.

The buying has been spread across all sectors. The bellwether stocks - IBM, General Electric, Philip Morris - have been in the vanguard, as have secondary technology and health-care stocks. But investors have been picking up even the shakiest stocks, with the airlines and banks, two sectors in financial trouble at the moment, enjoying strong gains.

Mr László Birinyi, one of Wall Street's best-known commentators, views the recent rises with mixed feelings. "The market was too pessimistic before January 18 (when the war started), and it was too optimistic after," he thinks. A temporary correction is likely, but does not forecast a sustained downturn in prices. "The market is just so strong; it doesn't even bend a little."

Across the Atlantic, the view is less sanguine again. Mr Roger Palmer of Kleinwort Benson argues that Wall Street is presently valued on 15 times this year's earnings, against a 10-year average of 12.9 times. The UK market, by contrast, is on only 11.5 times earnings against a 10-year average of 12.1 times.

There is, perhaps, one striking difference. If the US recession turns out to be a conventional recession in character and duration, it would be quite logical for the US market to be looking forward to recovery by this stage. Indeed, this is precisely what happened in the UK market in the recessions of 1974-75 and 1980-81.

But the UK may be in deeper waters. Membership of the exchange rate mechanism makes it unlikely that this recession will be anything like conventional. The UK went into recession some months before the US did. In conventional terms, a stock market recovery might thus be over-

UK membership of the ERM makes it unlikely that this recession will be anything like conventional

due. But the UK is now bound much more closely to the economy of Germany, which through perhaps slowing down shows no sign of recession at all. It is even possible that German interest rates have further to rise.

Germany apart, though, the central thesis holds good. US interest rates are probably heading further down. So are those in the UK and Japan, the only question being timing.

But there remains one flaw in the bullish argument, which brings us back to the exchange rate. "Every fund manager believes," says Roger Palmer, "that whenever the end of the war is in sight, the market will rally. When you have a consensus like that, contrarian common sense says it must be wrong."

Left hand right hand

Yesterday was a classic for revealing the terrible incoherence at the top in the Soviet Union. It became more than ever obvious that the left hand does not know what the right is doing.

First new Prime Minister Valentin Pavlov gave an extraordinary interview, accusing unnamed western banks of planning an economic coup d'état by flooding the USSR with surplus roubles. Asked to comment Vitaly Ignatenko, spokesman for President Gorbachev, was amazed: "I'm afraid that our money is not capable of changing the political system," he said.

But Pavlov had gone further. He declared that "production" in the Soviet Union was down by no less than 50 per cent in January compared with the same year ago. Whereupon the FT rang the government press office to find out what he meant by production.

Panic ensued. "The state committee for statistics cannot find out what he is talking about," we were told. "They have checked every figure in their books, and nothing tallies. Please ignore the figure; it can't be right."

Third in line was the mighty KGB. Major-General Alexander Karbailov, head of public relations (sic), said the intelligence service had had 15 men on the scene at last month's shooting in Vilnius - and one had been shot dead.

An hour later General Viktor Grushko, now number two at KGB headquarters, denied that any KGB men had been in Lithuania at the time.

Budget interest

With less than five weeks to go before the UK budget, the guessing game on when the Government will blink and cut interest rates is mounting by the hour. Any pretence that UK inter-

OBSERVER



"The first snow I've ever seen, and it's the wrong sort."

est rates are set by market forces is gibberish. A quick check back over the last dozen years suggests that even if the Government cuts interest rates in the next fortnight, it may well have a second salvo ready for budget week.

Robert Thomas, of brokers Greenwell Montagu, notes that the Government has left interest rates untouched at budget time only three times since it came to power. Admittedly, it has cut rates on budget day only once. But rates have been cut the day after on three occasions, and two days later on three occasions.

Nick Parsons, Union Discount's economist, says Friday, March 22 as the magical date. The short sterling contract, which is already signalling a one percentage point base rate cut, expires the day after Lamont's first budget.

If base rates are not cut before then, the hot money merchants will be smarting. What better way for the Chancellor to prove that he's in charge?

Star gazing

When Ronald Reagan's wife, Nancy, consulted an astrologer it caused a storm. But in Tokyo, nobody is in the least surprised that top Japanese politicians, and their relatives, regularly consult fortune-tellers.

clients, has been in particular demand lately. His predictions cannot be misconstrued: Saddam Hussein will be killed in a bombing raid on February 18 and the war will end on 27th.

Mikhail Gorbachev will be removed from power in March and civil war could ensue. While George Bush will win the Gulf war, he'll lose next year's presidential election.

TVS saga
Can Rudolph Agnew, one of the few survivors of Hanson's successful battle for control of Consolidated Gold Fields, renew the lucrative TV franchise of TVS, the embattled entertainment group?

Still fishing

Latest sign that the current recession in the UK is far worse than the last. Overton's, the posh fish restaurant in London's St James's, has cut menu prices by 30 per cent and is knocking nearly £7 off the cost of its lobsters. Manager Louis Georgiou says he cannot remember anything like this happening before in his 35 years in the business.

It seems to have worked the trick, however. A meal for two, plus wine, still costs around £70, but trade is up by around 50 per cent. Competitors please note.

Boom Boom!

Latest London taxi-driver joke: What's the difference between IRA mortar shells and a City of Westminster lorry gritting snow? Mortar shells have actually been seen.

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مكتبة الأصيل

There are two possible responses to the chaos which has afflicted British Rail services since snow began to fall last week.

One is to accept BR's argument that the cost of investing in all the equipment necessary to keep the railways snow-proof could not be justified by the few occasions on which it would need to be used.

The other is to feel a sense of outrage that the normal operation of an advanced western economy can be severely disrupted by the railways' inability to cope with a well-forecast cold snap in mid-winter.

Anecdotal evidence suggests that the body of opinion is disposed towards the latter view rather than the former, and with rail services still far from normal, particularly in the south-east, the government and BR are under pressure to prevent a repetition.

One fundamental problem which appears to stand in their way is the fact that BR is under government pressure to operate a commercial railway; it is not part of its remit to keep the nation moving at any cost.

The result is that, while some countries such as Sweden and Switzerland can afford to invest heavily in snow-clearing equipment because snow affects them for a substantial part of the year, BR says it cannot do so because such investment does not produce an adequate return.

Last Thursday provided an example, when snow and ice brought near-paralysis to the system by settling in the points, where trains change tracks, and preventing them from switching properly.

In Scotland, where snow is frequent, BR has been able to justify an investment in powerful point heaters to prevent this happening. But in the south-east, where such severe conditions are unusual, BR's cheaper and less powerful point heaters were overwhelmed by the combination of the heavy snowfall, the exceptionally low temperatures and the effect of strong winds.

Yet points failure was only one of the factors underlying the chaos that hit the network. Two other problems which arose once the points had been freed are less easy to blame on financial constraints.

One was the icing-up of the sliding doors on new electric trains operating on the Euston to Northampton line, the Essex routes into Liverpool Street, and the Thameslink line. The cause was simple. Slush trodden into the door runners turned into ice and stopped the doors from closing properly. Failsafe devices then prevented the trains from moving, thus

Richard Tomkins examines how the UK rail system failed to cope with severe weather conditions, in contrast to other European networks

BR comes under pressure to prevent further chaos



And on the seventh day... a train waits to go into London Bridge station yesterday

blocking the lines to other trains.

Even more simple was the cure. The doors are now being opened and closed more often to stop them icing up. In the longer term, drainage holes will be fitted in the runners to stop water collecting there in the first place.

The question this raises is why such an apparently elementary measure was not incorporated when the units - supplied over the past four years by BREL, the now-private engineering arm of British Rail - were built. It appears that either the original specification was defective, or that it was correct and the rolling stock did not meet it.

Whichever is the case, incompetence seems to have been a more important ingredient than shortage of funds.

The second factor was the widespread failure of traction motors on electric trains. This happened because snow was sucked into the engine-cooling intakes, blocked them, and

caused the engines to overheat.

BR says this happened because of the type of snow which fell. At temperatures close to zero, snowflakes are fairly wet and tend to stick together, forming larger flakes which fall to the ground

BR's claims about the financial difficulties of making the trains run in the snow needs to be examined

quickly. But because last week's snow fell during abnormally low temperatures, it was unusually dry and powdery.

Again, the fact that this problem arose, cannot be blamed on finance. BR says it is looking at technical modifications which will prevent a recurrence. Snow like this,

however, is not unprecedented.

Why, the question must be asked, was BR not ready for it? BR has argued with some force that its passengers have not been suffering in significantly greater degree than those in comparable European countries. This does not, however, appear to be borne out by the past week's experience.

On the French national railway (SNCF), for example, as temperatures plunged as low as -15°C, 200 of SNCF's 650 morning peak commuter trains in the Paris region ran late. But no trains were cancelled except on the suburban RER lines, jointly run by SNCF and the Paris bus and metro authority.

On long-distance lines, the high-speed TGV from Bordeaux to Paris was delayed by more than an hour because of snow in south-western France; but in the Côte d'Azur, trains ran normally despite some of the country's heaviest snowfalls.

In the Netherlands, meanwhile, at the height of the

storm on Friday, some trains in the evening rush-hour were delayed by up to half an hour because of broken-down trains blocking important junctions. Bad road conditions also meant that many train drivers arrived late for their shift. But practically all trains ran that night, albeit somewhat delayed.

Since Saturday morning, Netherlands railways have been operating according to their emergency winter timetable. This means that passengers travelling to the far north or east of the country have to change trains once or twice during their journey, apparently because it is not practicable to couple and uncouple trains during their journey. Usually, though, trains for the north and east are split and regrouped at central junctions such as Utrecht, Zwolle and Amersfoort. This means that passengers from big cities such as Amsterdam, Rotterdam and The Hague have to change only once or, often, not at all.

Against a background of severe public dissatisfaction with British Rail's performance over the past week, a number of possible courses suggest themselves.

One is already under way. BR engineers, it was confirmed yesterday, are to visit countries in northern Europe to see at first-hand what measures are used in the worst snow conditions and whether - and at what cost - they could be applied in the UK.

Another could be for an examination of the relationship between BR and BREL, an organisation which seems to retain a near-monopoly in the supply of passenger rolling stock to British Rail in spite of several cases in which it has fallen down on supply or the trains have not performed satisfactorily.

Third, BR has promised to investigate what went wrong when the snow fell and how many of the problems can be prevented from recurring. Many passengers feel the results of the inquiry should be made public.

Fourth, BR's claims about the financial difficulties of making the trains run in the snow needs to be examined. No estimates have been made about the cost to the economy of the disruption; similarly, no estimates are available about the money that would have to be spent to prevent such disruption recurring. It is just possible that the second figure may be smaller than the first.

If so, a refusal to spend the money would be nonsensical. But the calculations need to be made.

Additional reporting by George Graham in Paris and Ronald van de Krol in Amsterdam.

Merger activity involving state-owned companies

A grey area in need of clarification

By Nick Gardner

The recent prohibition by the UK Monopolies and Mergers Commission of the sale of ICI's fertiliser business to the Finnish company, Kemira, has been criticised on two grounds.

First, the commission's attitude to the fact that Kemira is state-controlled is said to be inconsistent with its treatment of state-owned companies in other cases; second, trying to preserve competition by preventing the sale is said to be perverse when ICI, in any case, intends to close those plants which cannot be sold.

But the complaints need to be put into perspective. The state ownership of Kemira had little influence on the commission's recommendation. In the concluding section of its report, Kemira's state ownership was mentioned in only the seventh of the eight sentences of explanation. It is clear that the conclusion would have been the same had Kemira been privately owned.

The issues arising from state ownership had, in any case, been largely settled in the course of earlier referrals to the commission. The Department of Trade had proposed that the commission should adopt "the general presumption that acquisitions by state-controlled companies are likely to have adverse effects on the public interest unless there are offsetting benefits in the individual case". The commission replied that "... we are unable to accept that we can look at these matters in terms, as has been suggested, of a general presumption". The Fair Trading Act, it added, "appears to us to exclude any presumption, whether of fact or law".

That response did not amount to an outright rejection of the DTI's arguments - which were that state-controlled companies always have favoured access to finance; that they can be expected to reduce economic efficiency by acting uncommercially; and that there is a danger of damaging intervention by the governments which own them.

The commission did say that Kemira's favoured access to finance could increase its market power by enabling it to

withstand competitive pressures until conditions become more favourable.

But that would not have been considered relevant had the question of market power not been at issue - as was made clear by the commission's recent clearance of the acquisition of Woodchester by Credit Lyonnais. The possibility of uncommercial behaviour or of damaging state intervention were examined and dismissed as unlikely, as they had been in connection with the merger of the guided-wagon businesses of BAe and Thomson-CSF.

On that evidence, the complaint of inconsistency seems unjustified and the message to the business community seems clear. The favoured access to finance enjoyed by state-controlled industries will be taken into account only if a significant amount of market power is at issue, while the possibility of uncommercial behaviour or of damaging state intervention will be taken into account only if there is evidence to suggest that such outcomes are likely.

The complaint of failing to take account of the closures of ICI plants which might occur if they could not be sold seems also to be unjustified. The commission said that some might close fairly soon, and that complete closure might ultimately follow; but it stated that prohibition of their sale would not result in closure of all the plants in the near future, and that other prospects might open up in the meantime.

There is nothing implausible about that conclusion. Had evidence in rebuttal of that view been offered, the commission would have been bound to take it into account, but it reported that "ICI did not present detailed up-to-date information to us showing projections on which it would base its decision if the merger were prevented".

The crucial issue raised by the Kemira/ICI case is that of assessing market power; it is in this connection that doubts arise concerning the commission's decision. The case for blocking the sale depended entirely upon the contention

that the acquisition of a 40-50 per cent market share by Kemira would enable it to exploit the market.

In response to ICI's claim that this would be prevented by competition from imports, the commission argued that imports would be restricted by handling and shipping costs (the 20 per cent of market share accounted for by imports, the commission added, was the result of worldwide overcapacity which it did not expect to persist). Yet this has provoked further doubts because the apparently central issue of transport costs receives no more than a passing mention elsewhere in the report, and because ICI estimates that transport costs might add no more than 10 per cent to prices.

Whatever may be said of the commission's decision, the DTI's position needs clarification. It has adopted a policy of referring merger cases to the commission on the grounds that the bidder is state-controlled, even where (as in the cases of Credit Lyonnais/Woodchester, Sllgo/Sigmet and Elf Aquitaine/Amoco) there is no significant acquisition of market power. Either the DTI must abandon this policy or it must alter the commission's terms of reference by legislation. Those terms are anachronistic, requiring the commission to take account of "maintaining and promoting the balanced distribution of industry and employment in the UK" and enabling it to take account of "all matters which appear to them... to be relevant".

The projected replacement of the Restrictive Practices Act to bring it into line with European Community law - and the transfer of responsibility for its enforcement to the commission - will involve the revision of similar terms of reference. It is scarcely possible to contemplate the retention of their present open-ended character, and even less the introduction of a presumption against acquisitions by state-controlled companies.

Nick Gardner is the author of *A Guide to United Kingdom and European Community Competition Policy* (Macmillan 1990).

LETTERS

Way to ease Poland's debt problem

From Professor Mike Faber.

Sir, It is timely that your leader, "Debt relief for Poland", February 8) should remind us of the extent to which the recovery of Germany, Poland's largest creditor, was assisted after the Second World War by substantial financial support and debt reduction.

The London Accord of 1953 granted West Germany a reduction in her inter-war international obligations which, in present value terms, was in the range of 65 per cent to 75 per cent.

Studies of the London Accord and of Indonesia's composition with her international creditors in 1970 suggest:

First, the decision of creditor governments to grant comprehensive debt relief is always taken on political grounds (usually as a result of a profound government change within the debtor country); only when that decision has

been made will financial and economic arguments as to the amount of debt relief required be heeded.

Second, creditors' reluctance to agree to debt relief does not spring mainly from a belief that if they do not do so, their debts will be serviced in full but from two apprehensions: (a) that if any one creditor agrees too readily, competing creditors will do better, and (b) that this particular concession will be cited as a precedent by other debtors.

Third, in determining how much can be repaid, what can be financed internally with minimal inflation must be accorded equal weight with balance of payments possibilities.

Fourth, both the West German and the Indonesian compositions were necessary yet, as things turned out (for example, West Germany's economic miracle and the post-1970 oil price rise), both countries

could have repaid more than the settlements allowed: realisation of this will make "claw-back" or "recapture" clauses an inevitable part of future compositions.

Fifth, given the identity of Poland's main creditors, Indonesia's debt reduction exercise of 1970 is a more relevant model than the London Accord.

Sixth, an important factor in the Indonesian settlement was the preparation by an independent expert (the redoubtable Mr Hermann Abs) of a proposed scheme around which all parties negotiated.

If Poland's external debt position is to be resolved, a similar appointment, agreed to by both debtor and main creditors, would be a constructive first step.

Mike Faber
Institute of Development Studies,
University of Sussex,
Falmer.

The need for export credit for eastern Europe

From Mr Albert H Hamilton.

Sir, Your survey, *Eastern Europe in Transition* (February 4), makes it clear that if the newly-independent countries of eastern Europe are to develop their economic and political systems in a rational manner, they must have access to sustained flows of imported capital.

While the pre-independence debt may be treated with leniency by creditors, unless the newly-incurred debt is serviced in a timely manner, banks and others will cease lending.

Perhaps the least expensive and most cost-effective step would be for these countries to establish in all OECD member governments, national export credit agencies which would enable the nascent private sector to buy inputs on credit, and extend to their overseas buyers appropriate deferred payment terms.

Unless importers are granted credit by their suppliers, they will shift their procurement to other sources. Working for a firm that has been retained to establish or improve export credit schemes in 43 countries, I assure you that export promotion programmes, without export credit, can have but limited success.

Albert H Hamilton,
First Washington Associates,
1501, Lee Highway, Suite 302,
Arlington, Virginia

Explanations for railway chaos

From Mr William Robinson.

Sir, "It's not our fault, it's the fault of the weather," said a British Rail official yesterday morning in an attempt to explain, justify and excuse the chaotic condition of the rail network in the snow.

Having spent more than 20 years in France, I know that British Rail employees are not the only people capable of making such fatuous remarks. Among the others are French drivers who, after having had a motor car accident in bad weather, invariably say: "C'est la faute de la route, vous savez, ah, mais oui."

So much for pure stupidity. But we now get to the root of the current problem. I heard yesterday that the investment required to cope with the snow

could not be justified because of the short duration of the snowy period.

The fallacy in this argument is that while perhaps an investment in studded snow tyres for a private motor car may be judged necessary for such seasons, it should be remembered that a private motor car is, by definition, private and the only person to suffer the consequences of the lack of investment will therefore be the owner.

Since British Rail on the other hand claims to run a public service (for which it is paid), that particular investment criterion no longer applies.

William Robinson,
28, Curlew Avenue,
Lower Halseway,
Sittingbourne, Kent

Fax service

LETTERS to the Editor may be faxed on 071-873 5938.

Letters should be clearly typed and not handwritten. Please set the fax machine for fine resolution.

Readers with an electronic mail service can use that for a direct computer-to-computer link, but should first telephone our computer department on 071-873 4893.

Gem industry's sparkle returns

From Moshe Schmitzer.

Sir, Hugh Carnegie's article "Israel gem industry loses its sparkle", February 7) unfortunately offers a somewhat distorted view of Israel's principal export during the Gulf war.

While your correspondent concentrated on the still partly empty cup, the almost-filled one might be the real news in these unusual times.

A world jewellery trade which is dependent upon Israel cutting half of all gem diamonds should understand that Israel's diamond industry is back to near-normal operations. Production is at 80 per cent of full-time levels, and the Diamond Exchange com-

plex is fast returning to business as usual.

Overseas polished diamond shipments of \$309m in January 1991, compared to \$274m during the same month last year, certainly points to an industry overcoming the global situation, even if not expecting regular profit margins this month.

The fact is that diamond production and exports are almost back at pre-crisis figure. This is the good news for those who buy and sell polished diamonds, and for those who supply our rough stones.

Moshe Schmitzer,
President,
Israel Diamond Exchange,
Ramat Gan, Israel

Better share option schemes

From R A Ledingham.

Sir, One of the best ways to improve executive share option schemes is to index the option price using the FT (or a similar) index.

Such an option rewards specific corporate performance with no effect from total market changes. It can be held for long periods at little risk and it allows no possibility of unre-

asonable dilution of existing shareholders' interests.

There is little cost to shareholders from such an option that an indexed executive share option scheme can be further improved by removing the word "executive" from its title.

R A Ledingham,
Rose View,
Eaite, Ozon.

Why smoke with a glass of port when you can light a fire with Dow's.

The finest port wines made for two.

INTERNATIONAL COMPANIES AND FINANCE

Reflation planned for Sabena

By David Gardner in Brussels

THE BELGIAN government is to reflate Sabena, the country's flag airline, as part of a restructuring plan, expected to cost at least Bfr3.4bn (\$1.07bn), which foresees a return to profit by the end of next year, and 2,204 redundancies.

But Mr Pierre Godfroid, Sabena's new chairman, confirmed the airline was still negotiating a strategic link with British Airways, "which would already have had a positive outcome had it not been for the Gulf war". He also confirmed he was still talking to American Airlines.

The entry of any international partner would take place after Sabena's balance sheet has been cleaned up by the Belgian government, which owns 52 per cent of the airline, and before a partial refloating of the company planned for 1994.

The government is to write off Bfr16.2bn in debts accrued with it by Sabena since 1949, and will inject a further Bfr6bn in new capital. Agreement has been reached in principle for predominantly state-owned financial institutions to put in another Bfr6bn. This will be underwritten by the government, carry an automatic 8 per cent dividend for four years and be reclaimable in 1996.

With the renewal of existing preferential shares, held largely by the same institutions and worth Bfr4bn, Sabena's capital base - virtually wiped out by two years of losses - will in the short term rise to Bfr20bn.

Later, stock options for employees would provide further funds and incentives, and a foreign partner would be able to buy up to 40 per cent of Sabena - at around Bfr6bn if the company's capital worth is boosted as the plan prescribes.

Then, during 1994, between 20 and 25 per cent of the airline would be floated on the stock market, Mr Godfroid said.

He also announced losses for last year of Bfr6.6bn - an operating loss of Bfr7.1bn before sales of aircraft -

against a revised deficit for 1989 of Bfr2.3bn.

This year he foresaw losses of Bfr4.8bn, with a modest Bfr600m profit next year, rising to Bfr2.8bn in 1995. He expected that an alliance with a foreign partner to develop Brussels airport as a regional hub serving 75 cities would add Bfr2bn a year to earnings.

Savings of Bfr3.4bn would come from the 2,204 largely voluntary redundancies, which Mr Godfroid said represented 15 per cent of a workforce.

The cancellation of transatlantic and Far Eastern routes will save a further Bfr2.3bn, with a further Bfr1bn coming from management and marketing efficiencies.

Mr Godfroid said Sabena's so-called "Phoenix Programme" envisaged no expansion, with renewal of the fleet financed from cash flow.

It foresaw a 2 per cent reduction in volume by 1993 as a result of European Commission air transport liberalisation.

The EC may have more to

say on Sabena than the programme envisages, however, and has already written to Mr Godfroid for information, particularly on the possible link with British Airways.

The EC had already expressed competition concerns over the Sabena World Airways joint venture with BA and KLM, which collapsed on New Year's Eve.

Commission officials say they have exactly the same reservations about BA and Sabena monopolising the lucrative Heathrow-Brussels/Zaventem route.

Mr Godfroid said yesterday he had "laughed" when he received the latest Commission letter, adding: "I am trying to ensure that at least one Belgian airline is still flying by the end of the century, and their attitude is not helping."

The question is whether we want an industry that can compete with the international giants or none at all."

Lex, Page 18

Reuters cautious over trading outlook

By Andrew Bolger

REUTERS Holdings, the financial information and news group, yesterday sounded a cautious note about its trading outlook, only two months after saying that it was "reasonably satisfied" that it could achieve double-digit profits growth next year.

Mr Glen Renfrew, managing director, said: "The outlook has become more uncertain since we last reported two months ago, against a background of further bad news from the financial sector."

"We have had very heavy turn-of-year cancellations as clients trimmed their costs ahead of 1991. In recent weeks, net new orders have, as expected, moved up again, but they remain well below the average for last year."

Reuters was reporting a 13.1 per cent increase in pre-tax profits to £320.1m (\$636.5m) in the year to December 31 - in line with the forecast it issued last year, shortly after announcing 300 redundancies and the postponement of the second phase of Dealing 2000, its automated trading system for foreign exchange.

Turnover rose by 15 per cent to £1,377m and earnings per share were 13.5 pence ahead at 49.5p. A final dividend of 10.6 pence makes a total for the year of 15p, an increase of 15.4 pence.

The profits figure was flat, but a 16.4 per cent rise in interest income to £30.4m. The group's net cash balance rose to a record £217.2m.

Reuters said its cash position in the two previous years had been depleted by one-off tax payments associated with the conversion of 5 shares.

Reuters shares closed 3p lower at 789p, well below last July's peak of 1314p. The shares fell sharply following reports of delays to Dealing 2000-2 and the Gulf crisis.

Reuters said that tests were continuing of Dealing 2000-2 and Globex, its automated system to trade financial futures, but would not forecast when the systems would be ready.

Mr Peter Job, who succeeds Mr Renfrew as managing director next month, said: "We will only give further news when we are quite happy about a launch date."

Mr Richard Giordano, chairman and chief executive of BOC, the industrial gases group, has been appointed to the non-executive directorship vacated by Mr Rupert Murdoch, chairman of News Corporation, who resigned in December.

Lex, Page 14

Amstrad rises to £40m, but warns of difficulties ahead

By Michael Skapinker

AMSTRAD, the UK electronics group, yesterday announced a 33 per cent interim profits increase to £40.1m (\$79.7m).

However, it warned that the recession and the Gulf war would make trading conditions difficult in the second half.

The profits increase for the six months to the end of December was achieved on sales down 12.6 per cent to £326.6m.

Mr Alan Sugar, the chairman, said shareholders should not expect significant profit growth for the full year.

The recession in the UK, Amstrad's largest market, hit December and January sales.

Mr Sugar had hoped television satellite sales would be boosted by the merger of Sky Television and British Satellite Broadcasting, but the merged organisation failed to publicise the fact that there was now a single satellite broadcasting system in the UK rather than two incompatible ones, Mr Sugar said.

"One sympathises with them

because they had to sort out the old BSB mess, but they haven't focused enough attention on promoting the concept," Mr Sugar said.

Sales in France were slightly down in the half-year and were very disappointing in January. "That's 100 per cent (due to the Gulf war). French people are paranoid and nervous about the Gulf," Mr Sugar added.

By contrast, sales of satellite receiving equipment in Germany were good.

Mr Sugar said that Amstrad now held about 60 per cent of this market. Sales of computers and video cassette recorders had also grown. Germany was now Amstrad's second largest market after the UK, overtaking France, Spain and Italy.

Demand for Amstrad's twin slot VCR had exceeded supply, proving, Mr Sugar said, that innovative ideas sold even during a recession. The company plans to increase output of this product.

During this calendar year, the company plans to launch 10 new products, Mr Sugar said. These include new computers and a combined television and satellite receiver.

The company had a positive net cash position of £40m at the end of January, Mr Sugar said. Net interest expenses during the six-month period were "virtually nil".

The interim dividend was maintained at 0.4p. Earnings per share were 4.54p (3.43p). Lex, Page 14

Xerox Corp. said it had introduced in the US its 5100 high-performance, high-speed copier, developed for markets in Japan, Europe and North America, agencies report.

Xerox said it began production of the 5100 in mid-1990 and introduced it in the Japanese market in October 1990. Xerox will begin taking US orders for the 5100 later this month; the machine will be launched "at a later date" in Europe.

Fokker to axe jobs and delay dividend

By Ronald van de Krol in Amsterdam

FOKKER, the Dutch aircraft maker, is to cut 1,000 jobs and delay the resumption of dividend payments, reflecting problems caused by the continued weakness of the dollar.

The company yesterday stood by predictions that 1990 net profit will be around F184m (\$51.2m), double the 1989 figure. But it added that, in contrast to earlier forecasts, the payment of a dividend on 1990 results now seemed unlikely.

Fokker, which has attracted F110bn in orders for its new generation of aircraft the Fokker 50 and Fokker 100, said it was unable to make a profit forecast for 1991 because of the general climate of uncertainty, including the Gulf war, which has depressed air travel worldwide.

Most of the jobs losses will be through natural wastage, but up to 300 compulsory redundancies may be needed, largely in support jobs. Fokker, which employs nearly 13,000 people, was due to begin talks with Dutch unions last night on drawing up a social plan for redundant workers.

The job losses are part of a drive to cut direct costs by F1200m.

The company described the measures as drastic, preventive steps designed to cushion Fokker from continued weakness of the dollar, the currency in which international aircraft sales are denominated.

Although Fokker hedged previous contracts against the dollar's decline, it will start becoming vulnerable to the dollar remaining low against the guilder from late 1991.

Fokker said it had not yet suffered any cancellation or postponement of orders since the Gulf war broke out. But it noted that many airlines were delaying decisions about fleet modernisation because of the fall in air travel.

The company last paid a dividend in 1987, shortly before it ran into temporary difficulties while launching its two new aircraft. It was later rescued by the government, which now owns 32 per cent of the company's shares.

Lex, Page 18

AGA rise in line with forecasts

By John Burton in Stockholm

AGA, the Swedish industrial gas group, lifted profits after financial items by 28 per cent to SKr1.4bn (\$257m) in 1990. The result almost matched its forecast of 30 per cent growth for the year.

The group is increasing the dividend to SKr6 per share, compared with SKr7 for 1989. The price of the shares, however, fell on the Stockholm bourse following the announcement of the results.

AGA said sales advanced by 12 per cent to SKr12.4bn, while costs rose by 11 per cent to SKr10bn.

All of Aga's three main divisions recorded rises in profits and sales. Gas, its biggest unit, reported a 26 per cent increase in operating profit to SKr1.3bn, while sales rose by 13 per cent to SKr6.5bn.

The energy unit improved operating profits by 22 per cent to SKr100m, although sales grew by only 8 per cent to SKr1.2bn.

Frigo-scandia, its food processing and cold storage division, saw operating profit increase by 6 per cent to SKr165m, while revenue rose by 14 per cent to SKr2.6bn. Investments totalled SKr1.3bn, - SKr115m less than in 1989 - of which SKr1.1bn was spent on gas operations.

AGA has reserved SKr40m for credit losses resulting from stakes held in two Swedish investment companies, Nyckeln Holding and Mobilia, which recently went bankrupt.

Exports improvement helps EdF make small profit and reduce debt

By William Dawkins

ELECTRICITE DE FRANCE (EDF), Europe's largest generator of nuclear power, yesterday unveiled a swing from losses into a small profit for 1990, and a reduction in its heavy debts.

The year was "a mixture of joy and pain, difficulties and successes," said Mr Pierre Delaporte, EDF's chairman.

The group switched from a FF4.2bn (\$652.3m) loss in 1989 to FF100m profit last year, on sales up by 6.3 per cent from FF147.1bn to FF156.5bn over the same period.

The main contributors to the improvement were an 8.5 per cent rise in exports, which accounted for 12 per cent of output, and the results of a FF1bn cost saving plan.

EDF complained last year that its scope to make a profit was hampered by the government's refusal to let it raise prices as much as it wanted. However, officials said they expected to be happy with this year's tariff agreement, due to be completed in the next few weeks.

The group planned to hold its dependence on nuclear power at current levels, just under 80 per cent of output, for the foreseeable future, said Mr Jean Bergougnoux, managing director.

He warned, however, that the capacity of trans-frontier cables and the technology for dealing with nuclear waste set a natural limit on the extent to which EDF, which is Europe's biggest electricity exporter, could go on increasing foreign sales.

The biggest export customers were Switzerland, Italy and Britain, while sales to Germany were rising from a small base. Negotiations were proceeding well for a possible joint venture to build nuclear reactors in Hungary and Czechoslovakia, as well as for an EDF stake in eastern Germany's electricity supply industry, said Mr Bergougnoux.

EDF's debts fell from FF232.5bn to FF226.1bn, which represents 1.44 times last year's turnover. That is a FF6.4bn decrease on last year, of which FF1.4bn was due to a fall in the dollar, in which 12 per cent of EDF's debts are denominated. The group expects to shift an increasing proportion of its debt into European currencies over the coming year, to reduce its exposure to exchange rate changes.

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Kone pre-tax up by 10.3%

KONE, the Finnish lifts and crane-making group, reported a 10.3 per cent increase in income before taxes and allocations in 1990 to FM550.1m, (\$164.5m) against FM526m the previous year, says Enrique Tessier in Helsinki.

Operating income before depreciation rose to FM545.8m from FM528.6m, while consolidated sales increased by 14.6 per cent to FM8.12bn from FM7.09bn.

Kone's profitability was also affected by a new dividend tax, mainly responsible for increasing taxes for the year to FM175.6m from FM112.1m.

The order book rose to FM6bn from FM5.18bn in 1989. Earnings per share in 1990 fell to FM66.29 from FM67.78.

Kansallis-Osake-Pankki hurt by strong markka

By Enrique Tessier in Helsinki

KANSALLIS-OSAKE-PANKKI (KOP), one of Finland's two largest commercial banks, reported a 22.7 per cent drop in 1990 profit before provisions and taxes to FM553.2m (\$185m), from FM744.5m a year earlier.

Consolidated operating profit rose to FM1.51bn from FM1.48bn. Credit write-offs continued to rise, surging last year by 35.1 per cent to FM551.4m from FM406.3m in 1989. Credit losses in 1989 reached FM298.8m.

Mr Jaakko Lassila, chairman, attributed KOP's drop in profits to the Bank of Finland's policy to maintain a strong markka, which has in turn kept Helsinki interbank offered rates (Helibor) at high levels. The introduction of new tax systems and the disparity between fixed and market

interest rates also undermined profitability, KOP said.

Profit from financial operations rose by 26.9 per cent to FM3.19bn from FM2.51bn. The introduction of a new dividend tax system helped to raise taxes booked for the year to FM246.6m from FM151.1m.

Finnish banks have been slashing costs in the face of deregulation and greater outside competition. To meet these challenges, KOP is proposing to restructure the group along holding company lines, as well as force closer links with insurance companies.

The number of KOP employees dropped by 511 to 9,790. The number of branch offices also fell by 43 to 407.

Consolidated return on equity in 1990 was 3.6 per cent, against 7 per cent.

Indosuez to buy out property partner

BANQUE Indosuez, the merchant banking subsidiary of France's Suez group, is to buy out Mr Dominique Bouillon, the property developer with whom it last year acquired the NMPP newspaper distribution building in one of Paris's largest property deals, writes George Graham in Paris.

Indosuez's property arm, is to buy from Mr Bouillon the 67 per cent it did not already own of Foncière des Champs Elysees Promotion, the holding company which paid Hachette, the publisher, FF2.78bn (\$564m) for the building.

Many Paris property agents believe Indosuez and Mr Bouillon paid much too much for the building but Indosuez argues that it is premature to say it was a bad deal.

Oppenheimer Management Corporation
(a subsidiary of British & Commonwealth Holdings, plc)

has been acquired by

Massachusetts Mutual Life Insurance Company

and

The Management of Oppenheimer Management Corporation

The undersigned acted as financial advisor to Massachusetts Mutual Life Insurance Company.

BERKSHIRE CAPITAL CORPORATION

Peugeot sales increase falls short of estimate

By William Dawkins

PEUGEOT, the French carmaker which also includes the Citroën marque, yesterday unveiled a 4.6 per cent rise in sales for last year, much lower than the management's estimate of a 9 per cent rise last autumn.

Sales rose to FF159.9bn (\$32.45bn) in 1990 from FF153bn a year earlier, although volume fell slightly, by 0.8 per cent, to 2.17m vehicles.

Traditionally, the group discloses its annual profits in April, although Mr Jacques Calvet, the chairman, has already said that he hopes to produce net earnings close to the FF19bn achieved in 1989.

Since the start of the year, the world decline in car demand has forced Peugeot to cut jobs in Spain and reduce its French output by 10 per cent in February and March.

The Peugeot marque increased its sales volume by 2.1 per cent to 1.94m vehicles last year, while sales of Citroën cars fell by 5.1 per cent to 829,600 units.

Within the total turnover, French sales rose by 6.2 per cent to FF74.4bn, while other European markets represented FF75.4bn of sales, a 3.9 per cent rise.

Elsewhere, sales fell by 1.2 per cent to FF10.2bn. Exports overall rose steeply, by 15 per cent to FF71.9bn, allowing the group to maintain its position as France's biggest exporter.

STAR MFG. CO., LTD
(STAR SEIMITSU KABUSHIKI KAISHA)

Holders of US\$30,000,000 3 1/2% Convertible Bonds due 2000 of the above company are hereby notified in accordance with the Trust Deed constituting the bonds that the conversion price will be adjusted from Yen 2,247.50 to Yen 1,872.90 per share with effect from March 1, 1991.

Bondholders are also informed that the company has changed the par value of the shares from nil to Yen 50.

The adjustment results from the free distribution of new shares to the holders of record as at 28 February, 1991, at the rate of 0.2 new shares for one share held.

By CITIBANK, N.A.
as Principal Paying Agent

CITIBANK

These securities having been sold, this announcement appears as a matter of record only.

The East Europe Development Fund Limited
(a company incorporated with limited liability under the laws of the Island of Jersey with registered no. 45769)

Offering of 4,000,000 Partly Paid Participating Shares of U.S. \$0.01 Each at an Offer Price of U.S. \$10 Payable as to U.S. \$5 on Subscription

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Daiwa Europe Limited

INVESCO MIM
*INVESCO MIM PLC group companies

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REUTERS REPORTS ON A FULL YEAR.

NEWS FOR BUSINESS

A major crisis generates a massive outpouring of news and data which affects all markets and may impact business decisions.

Reuters delivers the news as it happens. The invasion of Kuwait created a strong demand for energy information across all business sectors.

Reuters energy specialists sharply focused their expertise and provided comprehensive coverage of oil price movements and energy news as information came in from the Gulf, Washington and the major capitals.

Energy news is part of a portfolio of specialist Reuters news services on money and capital markets, equities and commodities. Combined with historical databases and delivered on Reuters 200,000 terminals worldwide or via Reuters trading room systems, these services form the backbone of our information products for the financial community.

When markets move on information, traders in foreign exchange and other sectors need to react as quickly as possible.

Reuters transaction products help them buy and sell currencies, bullion and equities and new developments will provide faster and better means of trading profitably in those markets as well as give the world's biggest commodities exchanges a new electronic trading system.

NEWS FOR MEDIA

The Reuters name has seldom seen more exposure in newspapers and the broadcasting media of the world.

The action stories of 1990, leading up to their climax in the Gulf war, were vivid pictorial events, often encapsulated in the Reuters News Pictures service or portrayed in a compact and meaningful way in the newly-launched Reuters News Graphics service.

With television coverage making a more dramatic impact than ever before, our Visnews television news agency subsidiary delivered the product of its camera crews covering each major event to more than 400 broadcasters across the globe.



The world kept Reuters busy in 1990, and entered 1991 with no let-up. More than 100 Reuter personnel, sometimes working in difficult circumstances, manned key news centres in the Middle East as the Gulf war unfolded.

The year which saw Kuwait invaded also saw Germany reunified and political turmoil in the Soviet Union, including the Baltic states.

The release of Mandela was only one of the stories which brought Africa to the fore. In Britain, there was a new prime minister.

Altogether, it was a challenging year. Reuters resources were tested continuously in all areas.

Our journalists, photographers and cameramen from 115 bureaux were on hand to write about, and picture, every key event.

Our technical and customer service personnel were there to ensure swift and efficient delivery of the news and data our clients require to support their business in volatile markets.

Behind the scenes, our development and marketing staff worked on information products for the decade ahead.

PRELIMINARY RESULTS TO 31 DECEMBER 1990 (unaudited)

	1990		1989		Difference
	£m	US\$m	£m	US\$m	%
Revenue	1,369.0	2,642.1	1,186.9	2,290.7	+15.3
Pre-tax profit	320.1	617.8	283.1	546.3	+13.1
Taxation	111.7	215.6	101.9	196.7	+9.6
Profit after tax	208.4	402.2	181.2	349.6	+15.0
Dividend	62.9	121.4	54.0	104.2	+16.4
Earnings per share (ADS)	49.5p (\$2.87)		43.6p (\$2.53)		+13.5

The financial information for the year ended 31 December 1989 has been extracted from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain a statement under section 237 of the Companies Act, 1985. Statutory accounts for the year ended 31 December 1990 will be delivered to the Registrar of Companies following the Annual General Meeting on 28 April 1991. For convenience the US dollar equivalents for both years have been converted at a buying rate at 31 December 1990 of US\$1.93 to £1. Each American Depositary Share represents three Reuters ordinary shares.

Despite the brisk and costly pace of coverage, our staff in around 80 countries helped Reuters to turn in pre-tax profit growth of 13.1% in 1990. Our shareholders will receive a dividend 15.4% higher than in 1989.

For more details, please write to the Manager, Corporate Relations, Reuters Holdings PLC, 85 Fleet Street, London EC4P 4AJ.

REUTERS

The contents of this statement, for which the Directors of Reuters Holdings PLC are solely responsible, have been approved for the purposes of Section 57 of the Financial Services Act 1986 by Vice-Chairman as an authorised person. Reuters Holdings PLC is required by the rules of The Securities and Investments Board to state that past performance is not necessarily an indication of future performance. A full copy of the statement may be obtained from the Corporate Relations Department, 85 Fleet Street, London EC4P 4AJ.

مكتبة الأصيل

NOTICE OF REDEMPTION WALT DISNEY PRODUCTIONS 9 1/4% Guaranteed Notes due March 29, 1995 ECU 80,000,000

To the holder of the notes payable in European Currency Units of the issue designated, Walt Disney Productions 9 1/4% Guaranteed Notes 1985-95 due March 29, 1995, first redemption instalment of ECU 16,000,000 due March 29, 1991.

Public notice is hereby given that the Walt Disney Company intends to and will redeem for mandatory redemption purposes on March 29, 1991 pursuant to the provisions of Clause 6(b) of the terms and conditions of the Notes, an amount of ECU 16,000,000 which has been drawn by lot.

6,400 notes bearing a nominal value of 1,000 and 960 notes bearing a nominal value of 10,000 with the following serial numbers are called on March 29, 1991 at 100% of principal amount plus accrued interest.

Denomination of 100 110000																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
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INTERNATIONAL CAPITAL MARKETS

Zero-coupon issues attract attention

DEUTSCHE BANK and Swiss Bank Corporation yesterday raised about \$150m from zero-coupon bond issues, focusing attention on this under-developed area of the sterling bond market, writes Simon London.

Deutsche Bank launched its deal early in the day, priced at 98.50 with a face value of £200m, later increased to £250m, and managed by Deutsche Bank Capital Markets.

Swiss Bank Corporation followed with a similar deal, also of 10-year maturity but priced five basis points higher.

Before yesterday's deals, there were 12 sterling zero-coupon issues outstanding in the international market.

The positive response to this latest paper may prompt further issues, although the £450m nominal of bonds issued yesterday may take time to be fully absorbed and zero-coupon swaps opportunities for borrowers are few.

The zero-coupon structure offers investors "geared" exposure to the sterling bond market. For an outlay of £250, investors gain £100 exposure to the market, when interest rates are widely expected to fall, pushing bond prices higher.

The cash flow receivable by an investor from a zero-coupon bond is entirely at the maturity date. Hence the average life of the bond is comparable to a longer-dated bond issue which pays a coupon throughout its life and a lump-sum at maturity.

Lively sessions continue with flurry of paper

By Simon London

A FLURRY of straight, convertible, equity-linked and zero-coupon bond issues yesterday continued the lively spell in the international market.

American Brands, the US consumer products company, made its fourth Euro-convertible bond issue since 1987, offering \$150m paper via Morgan Stanley.

Priced at par, the 10-year paper carries a coupon of 7% per cent and the right to con-

INTERNATIONAL BONDS

vert into American Brands ordinary shares at \$42.50, a premium of 23 per cent above the pre-announcement share price.

The issue met firm demand, trading up to 100.25 bid, against full fees of 2% per cent.

KFW International Finance, the funding subsidiary of the German state lending institution, came with a £150m deal lead-managed by IBJ, later increased to £200m. The borrower is majority owned by the German government although its debt is not guaranteed by the state.

The paper was priced to yield 50 basis points over comparable Canadian government paper, and held this spread against the background of a

falling government bond market. By late afternoon, they traded at 98.35 bid, against a fixed reoffer price of 98.45.

In contrast, Hydro-Quebec's \$300m deal launched by Merrill Lynch on Monday was yesterday priced at a yield spread of 108 basis points above Canadian government paper. The pricing was regarded as generous by some in the market, but the deal traded close to the fixed reoffer price of 98.415.

Crédit Local de France and National Westminster both tapped the Australian dollar sector but with contrasting deals. Crédit Local came with a zero-coupon deal, issuing bonds with a nominal value of \$200m and priced at 46 per cent of face value. The lead manager was Hambros, which said that interest was concentrated among institutions.

National Westminster came with a \$100m three-year issue, carrying a coupon of 12% per cent, targeted at European retail investors. The lead manager was NatWest Capital Markets which said that the deal was trading at less 1.50 bid, a discount equivalent to full fees.

The European Investment Bank initially offered \$100m of paper fungible with its outstanding 10 per cent issue, maturing 1997. However, the deal was cut back to \$85.5m.

Joint £55m placing by five trusts cuts costs

By Tracy Corrigan

KLEINWORT BENSON has structured a \$55m placement of debentures in the sterling domestic market, a joint financing by five investment trusts through a vehicle company.

Investment trusts are closed-end funds, so they generally seek long-term funding in the bond market, which allows them to gear up and improve their performance against other funds.

Mr John St John, a corporate finance manager at Kleinwort Benson, estimates that the five trusts have achieved cost savings of about 20 basis points by issuing jointly. The 11% per cent 20-year debentures were priced to yield 170 basis points more than the 9 per cent gilt due 2008.

The five trusts are Drayton Consolidated Trust, Murray Smaller Markets, Securities Trust of Scotland, TR Property and Dandria Worldwide Investment.

It is the first such open-ended financing, according to Mr St John. More investment trusts can be added to the structure, providing further cost savings.

The vehicle was set up in November 1989, and the financing was scheduled for launch early last year, but had to be postponed due to market conditions.

Unhappy new year greets NASD

Patrick Harverson on setbacks thwarting the ambitious association

LAST week, the National Association of Securities Dealers (NASD) announced plans to redesign Portal, its trading system for the US market in privately-placed securities.

Two weeks earlier, the NASD had been forced to postpone the long-awaited opening of its London trading facility, Nasdaq International. The two events made an unhappy start to 1991 for the highly ambitious association.

The cancelling of Nasdaq International's London debut was probably the greater disappointment. The NASD's plan to extend the trading of American stocks into the European time zone represented the early shots in a battle with rival US stock exchanges - most notably the New York and American Stock Exchanges - to become the international market for investors in US stocks.

When Nasdaq postponed the January 17 opening it cited the uncertainties generated by the Gulf war as the prime reason. Mr Joseph Hardiman, president of the Securities and Exchange Commission (SEC), the body which oversees the regulation of US markets, to let

the NASD launch its international service on its own terms played a larger part in frustrating the NASD's ambitions.

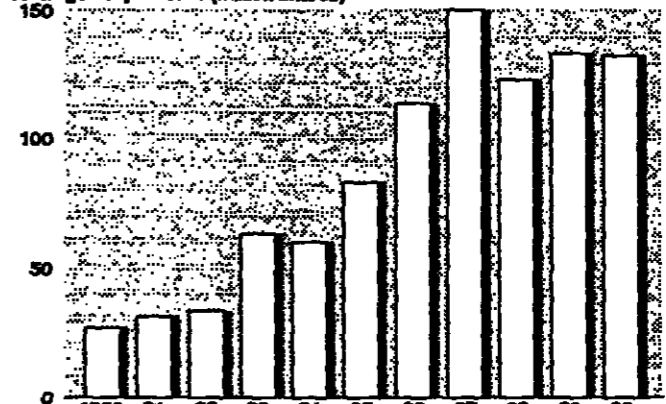
The NASD and the SEC differ over the question of which transaction-reporting standards should be applied to market-makers on Nasdaq International. The NASD wants British standards to apply, which would mean market-makers would not have to report transactions until either the end of the trading day or the day after. These standards are applied to users of Seag International, which would be Nasdaq International's main rival in Europe.

The SEC, however, wants market-makers to comply with US standards, under which they would have to report every transaction within 90 seconds of the trade.

Faced with the choice of reporting within 90 seconds or a day, market-makers will choose the latter, because this allows them to keep details of

NASDAQ

Average daily volume (million shares)



trading activity secret from competitors for longer. That means they will choose Seag.

The disparity in reporting standards could kill Nasdaq International at birth, believes Mr Lynton Jones, managing director of the London operation. "If Nasdaq International is going to have any chance of succeeding here, it has to operate under London rules."

To bridge the differences, the NASD has asked the SEC to allow a pilot period of six to 12 months in which London standards will apply. The NASD hopes this will give it time to show that applying different reporting standards will not create problems in the US.

Mr Hardiman attributes the shortage of business for Portal to three factors: the lack of private equity placements since its formation, the fact that 144a has not been used actively by debt markets in the private placement sector, and the preference of institutional buyers for an open trading system.

The NASD has rapidly redesigned the system. Hence the three key changes announced on February 5: prequalification by the NASD of institutional buyers, segregation of accounts for Portal securities and settlement of transactions solely through the Portal depository and clearance systems, will be ended.

These changes, which also

await SEC approval, will transform Portal from a closed system with narrow participation to an open information and trading system. But why did the NASD not realise before launching Portal that the system would be unsuited to the market it was aimed at?

Mr Hardiman explains: "We worked closely with the SEC on Portal and assumed that 144a as released would limit transactions to closed systems. That limitation was never imposed. We also thought the market would prefer a closed system. We were wrong."

Mr Hardiman is trying to establish the NASD alongside the better-known auction markets - the New York Stock Exchange and the American Stock Exchange - which are planning rival systems.

In spite of the problems with Nasdaq International and Portal, Mr Hardiman is satisfied with the NASD progress in the past year. In 1990, the volume of shares on Nasdaq averaged 84 per cent of NYSE volume, the highest percentage ever - although the average share price on Nasdaq is lower, \$12.55 in 1990 against \$33.40 for the NYSE. Nasdaq's daily share volume exceeded that of the NYSE on 37 days last year, another record, and the most actively traded stock of the year, MCI Communications, is listed on Nasdaq.

He counts as successes the automation of the "pink sheet" market - a market of penny stocks that was open to abuse - and the reduction in penny stock frauds. Mr Hardiman said the inclusion of a Nasdaq stock, Roadway Services, in the Dow Jones Transportation Average was an "important milestone in the history of the market and a strong endorsement from Dow Jones."

He is also delighted with the recent performance of Nasdaq stocks, with the main indices regularly outperforming their counterparts on the NYSE and ASE. He puts this down to the fact that a greater proportion of small, fast-growing stocks.

Mr Hardiman thinks a fundamental change in investment trends may be under way. "The stocks of small to medium-sized companies in the post-war period traditionally outperformed the big companies. Then they didn't, between 1983 and 1990. Now, perhaps, that tradition is returning."

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
FamilyMart Co. (a)	200	4 1/2	100	1995	2 1/4	Nomura Int.
American Brands Inc. (a)	150	7 1/2	100	2001	2 1/2	Morgan Stanley Int.
Autobac (a)	100	4 1/2	100	1995	2 1/4	Nomura Int.
Sanyo Electric (a)	80	4 1/2	100	1995	2 1/4	Yamaichi Int.
STERLING						
Deutsche Bk. Fin. (a)	250	zero	(c)	2001	15/10p	Deutsche Bk. Cap. Mkt.
2001 Fin. (a)	200	zero	(c)	2001	15/10p	Deutsche Bk. Cap. Mkt.
EBI (a)	80	10	(v)	1997	-	NatWest Cap. Mkt.
CANADIAN DOLLARS						
Hydro Quebec (a)	300	10 1/2	101.04	2001	2 1/4	Merrill Lynch Int.
KFW Int. Finance (a)	200	10	98.43	2001	2 1/4	IBJ Int.
AUSTRALIAN DOLLARS						
Crédit Local de France (a)	200	28 1/2	48	1998	1 1/2	Hambros Bank
NatWest Australia (a)	100	12 1/2	101 1/2	1994	1 1/2	NatWest Cap. Mkt.
PESETA						
World Bank (a)	150n	13 1/2	101 1/2	1998	1 1/2	Banco Bilbao Vizcaya
SWISS FRANCES						
SNCF (a)	150	6 1/2	102	2008	-	Credit Suisse
IBM Int. Finance (a)	100	7 1/2	102	1994	-	Credit Suisse
Telia L.M. Ericsson (a)	75	7 1/2	101 1/2	1994	-	Credit Suisse

***Private placement. (a) Convertible. (b) With equity warrants. (c) Floating rate note. (d) Final terms. (e) Non-callable. (f) Callable from 5/3/94 at issue price plus coupon. Conversion premium fixed at 22.5%. (g) Fixed price reoffer - 38.5%. Non-callable. (h) Fixed price reoffer - 38.5%. Non-callable. (i) Fixed price reoffer - 38.5%. Non-callable. (j) Full name of borrower - Telefonaktiebolaget L.M. Ericsson. Non-callable.

NSW sets stamp duty ball rolling

STAMP duty on share transactions is likely to be abolished throughout Australia after yesterday's announcement that the state government of New South Wales (NSW) was abolishing it unilaterally, writes Kevin Brown in Sydney.

The duty of 0.6 per cent of the value of trades is a main source of revenue for the states, which do not levy income taxes. Stamp duties were worth about \$140m (US\$108m) to NSW last year.

Other states had expected the issue to be discussed with the federal government, which they hoped would agree to compensate them for dropping the tax in the national interest.

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

British Funds	Rises	Falls	Same
Corporations, Dominion and Foreign Bonds	42	34	10
Equities	4	22	16
Industrial	295	66	391
Oil	25	19	48
Plantations	3	36	98
Others	85	25	32
Totals	977	409	1,438

LONDON RECENT ISSUES

Issue	Amount	Latest	1990/91	Stock	Closing	Price	Yield	Dividend	Notes
1000 F.P.	95	56	56	1000 F.P.	56	56	56	56	56
1000 F.P.	95	56	56	1000 F.P.	56	56	56	56	56
1000 F.P.	95	56	56	1000 F.P.	56	56	56	56	56

FIXED INTEREST STOCKS

Issue	Amount	Latest	1990/91	Stock	Closing	Price	Yield	Dividend	Notes
1000 F.P.	95	56	56	1000 F.P.	56	56	56	56	56
1000 F.P.	95	56	56	1000 F.P.	56	56	56	56	56
1000 F.P.	95	56	56	1000 F.P.	56	56	56	56	56

RIGHTS OFFERS

Issue	Amount	Latest	1990/91	Stock	Closing	Price	Yield	Dividend	Notes
1000 F.P.	95	56	56	1000 F.P.	56	56	56	56	56
1000 F.P.	95	56	56	1000 F.P.	56	56	56	56	56
1000 F.P.	95	56	56	1000 F.P.	56	56	56	56	56

TRADITIONAL OPTIONS

First Dealings Feb 2 London Share Service
Last Dealings Feb 15
Last Declarations May 16
For settlement May 28
For rate indications see end of

Callers: Cowie T., Davies Estates, Midland Bank, Premier Com., Sedgwick, Puts in, Lex Service, Reuters, Sentschi.

NORTHAMPTONSHIRE

The FT proposes to publish this survey on 12th April 1991.

It will be of particular interest to the 130,000 directors and managers who are regular FT readers. If you want to read this important analysis, call Anthony Hayes on 021 454 0922 or fax 021 455 0869.

FT SURVEYS

LONDON TRADED OPTIONS

A SURGE of activity in stock index futures followed growing signs of caution as buyers came into the market just before the close. March FT-SE 100 index futures contract began strongly after the rally on Wall Street in the previous session. But a hardening in money market rates led to profit-taking as doubts set in about the ability of March FT-SE to hold above 2,300.

The 30-point lead which March had established over the spot index was whittled away as arbitrageurs sold futures and bought

stock. Many of the larger institutions were active, although some were said to be uncertain about whether the market has further to fall.

Later in the session March's premium expanded to 30-35 points as buyers came into the market just before the close. March FT-SE closed at 2,298, virtually unchanged on the day.

The premium finished at 38 points, against 28 in the previous session and fair value of around 9 points.

In latest Equity Futures Monitor, UBS Phillips & Drew said that after the 140-point FT-SE 100 index point gain in the last account, the futures market has become expensive. At more than

1 per cent above fair value and with less than 2 months until the futures should be sold on a short-term basis, UBS said.

The traded options market was boosted by active FT-SE index trading. The session's 8,598 lot turnover was weighted towards March. James Capel sold 880 March 2,300 calls and bought 300 of the same at 15. The FT-SE Barclays de Zoete Wedd remained active, selling 500 February 2,275 puts.

In stock options, British Airways July 130 puts were busy after better-than-expected third-quarter results. GEC also featured as James Capel sold 500 February 200 calls.

FT-SE 100 SHARE INDEX

2264.5 -14.5 2308.9 2260.2 2270.0 2245.2 2243.7 2194.8 2220.2 2275.2

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UK COMPANY NEWS

Saatchi refinancing to be finalised within next week

By Alice Rawsthorn

SAATCHI & SAATCHI, the troubled advertising group, has been told by KPMG Peat Marwick McLintock, its auditors, that its forthcoming accounts will be qualified unless the proposed refinancing is completed. Saatchi, which is burdened by heavy debts and liabilities, is now in the final stages of negotiating new proposals for recapitalisation with its investors. These proposals should be finalised within the next week. The new package will be submitted to shareholders for approval - which Saatchi is confident of securing - at extraordinary general meetings next month.

This means that it would have completed the refinancing before its accounts for the year to September 30 are published.

so they will not have to be qualified.

It is standard practice for auditors to qualify the accounts of companies that are in the throes of refinancing programmes. Saatchi, advised by SG Warburg, the London merchant bank, has for the past three weeks been in discussions with its investors to thrash out new proposals for refinancing. The first proposals were fiercely criticised when they appeared in January.

The two sides have agreed to replace the original plan of swapping Saatchi's existing preference shares for a combination of new ordinary and preference shares in favour of an all-ordinary share package. However, they are still discussing what proportion of the

enlarged equity will be allocated to the different classes of investors. They have also yet to finalise plans for a rights issue to replace a proposed £20m bridge fund provided by Donaldson Luffkin Jenrette, Saatchi's US advisers.

The latest accounts of Berisford International, the commodities and property group, were qualified by its auditors. Berisford agreed a £12bn refinancing package with its banks in September just before the end of its financial year but that agreement expires in June.

Isosceles' accounts were also qualified last autumn while it was in the middle of refinancing after the acquisition of Gateway, the food retailing group, in a leveraged buy-out.

Asil Nadir associate to be quizzed on Swiss share deals

By William Dufforce in Geneva and Clay Harris in London

MR JASON DAVIES, a business associate of Mr Asil Nadir, chairman of Polly Peck International, will be interviewed by a Swiss magistrate today in Lausanne on behalf of the Serious Fraud Office.

The SFO is seeking information from Mr Davies about alleged dealings in Polly Peck shares through Swiss nominee companies.

Mr Davies is a former director of South Audley Management, the private company which managed Nadir family investments and was raided by the SFO on September 19. He is now manager of Swiss-based Nadir Investments.

Polly Peck, the fruit trading, electronics and leisure group, collapsed last autumn in the midst of an investigation into its affairs and those of Mr Nadir.

Mr Jacques Antenen, the examining magistrate, will ask questions on behalf of the SFO. Its request for Swiss judicial assistance has been passed by the federal justice ministry in Bern and approved by authorities in the canton of Vaud.

Mr Davies, 27, a former London stockbroker, now lives in the village of Farnham, just outside Geneva. He offered to give testimony to the SFO last November, after his name had been mentioned in connection with share transactions.

Mr Douglas Horning, Mr Davies' lawyer in Geneva, said then that his client had been deeply hurt by articles in the press on the role which he was supposed to have played in the Polly Peck affair and which he denied completely.

Mr Horning, who will be present at today's closed hearing, said the examining magistrate would "collect" answers to the SFO's written questions and return the answers to London.

In December, Mr Davies was interviewed in Switzerland by representatives of one of Polly Peck's administrators, Mr Christopher Morris of Touche Ross.

Mrs Elizabeth Forsyth, another associate of Mr Nadir and former South Audley director, was questioned by the SFO last month in London.

Both the SFO and Mr Rodney Hylton-Potts, Mr Davies' London solicitor, refused to comment yesterday.

Margins hit as house prices are cut in order to maintain sales
Bryant declines 36% to £9.3m

By Andrew Taylor, Construction Correspondent

BRYANT GROUP, the housebuilder, contractor and property developer, said yesterday that the hoped-for recovery in British house sales at the start of this year had failed to materialise.

Mr Andrew MacKenzie, managing director, said that in spite of selling a third more houses pre-tax profits for the six months to end-November had fallen by 36 per cent from £14.7m to £9.3m.

He said margins had been hit as the group reduced prices to maintain sales. The average price of a house during the six months had been £91,000 compared with £108,000 a year earlier.

Mr MacKenzie added that there was still no sign of the market recovering following last autumn's reduction in interest rates. House sales in January had been no higher

than at the same stage last year.

He said: "The market will not start to recover until interest rates come down by another two percentage points. Even then it will take another three to six months after rates come down to bring down to a realistic level the large amount of unsold properties currently on the market."

Earnings per share during the first half fell from 4.5p to 2.9p. Two thirds of group profits come from house sales in southern and central England. It is currently buying its first sites in Yorkshire.

The interim dividend is a same-as-again 1.4p, in line with forecasts made last October when the group raised £38m from a 1-for-4 rights issue.

Bryant planned to spend the money on improving its

landbank. According to Mr MacKenzie this has proved easier said than done, with very few suitable sites coming on to the market in spite of the recession.

In the meantime, Bryant reduced its gearing from a peak of more than 80 per cent to less than 3 per cent. Borrowings have been cut from about £50m to £5m.

The group said commercial property sales had held up in a difficult market raising £7m in the first half compared with £10m at the corresponding stage in 1989-90.

Contracting turnover and margins were also running at similar levels to the previous financial year.

COMMENT
Bryant's cautious remarks about the outlook for the UK housing market will make bleak reading for investors in more highly geared house-

builders. Most builders accept that a recovery in the market is unlikely to occur until towards the end of the year. The Gulf War, the recession and fears of job losses will continue to undermine confidence even when interest rates fall. Bryant, however, should fare better than many. Its balance sheet is in fine shape and interest charges will be reduced thanks to the rights issue. The group also appears to have brought some of the pain forward leaving more flexibility for a second half. Improvement when it traditionally makes more profit. In the absence of further provisions profits should be about £22m compared with £20.1m. The shares, however, have had a good run and a prospective p/e of 17 indicates that the expected improvement is already in the price.

Land sale helps Manchester Ship Canal surge to £20.7m

By Maggie Urry

A SHARP increase in profits and a return to the dividend list was announced yesterday by Manchester Ship Canal, which operates the 36 mile canal from Manchester to Ellesmere Port and owns property along its banks.

In 1990, pre-tax profits more than quadrupled to £20.7m (£5m) although turnover was barely changed at £18.5m. Profits were buoyed by an exceptional £11.9m (£3.3m) on the sale of land and lower redundancy costs of £758,000 (£4.9m).

The dividend for the year is a proposed 4.5p - the last payment was in 1987. The group's shares rose 50p to £17.50.

Mr Robert Hough, chairman,

said that prospects for 1991 were "satisfactory" and the group was well placed in the longer term because of its strong financial position and the qualities of its port and property operations.

Manchester Ship Canal, the subject of a long-running takeover battle starting in 1986, is controlled by Crestway Investments, a private company owned by Mr John Whittaker, who is also chairman of Peel Holdings.

Last October MSC said it was in talks which could result in an offer to minority shareholders. Yesterday, Mr Hough said that the talks "have still to be concluded".

Operating profits from the canal's port operations were up 22.5 per cent to £4.3m, with losses in the Upper Canal cut by 16 per cent to £1.7m.

Income from property activities rose by 50 per cent to £4.5m. Investment income net of interest charges was down to £744,000 (£1.2m). Earnings per share, including the exceptional profits, were 387.7p (£0.7p).

The balance sheet was hit by a downward revaluation of the group's property, cutting £18.8m off property values to £111.5m and reducing shareholders' funds by £4.6m to £124.2m. That gives a net asset value of £15.92p per share.

More receiverships at Courtney Pope

By Jane Fuller

COURTNEY POPE (Holdings), the shop-fitting and engineering group which has already put its lighting division into receivership, is sending three other subsidiaries down the same path.

The news that receivers were to be appointed at Quickwood, a shopfitting company, and at two specialist contractors accompanied the disclosure of a £3.5m pre-tax loss in the six months to November 30. Sales fell to £32.37m (£34.55m). The shares fell 8p to close at 13p.

Mr Ronnie Aitken, appointed

chairman in October, said Quickwood was in a contractual dispute which involved it claiming £1.2m, while there was a counter claim for £4m. It was unlikely to recover anything in the short term and had other uncollectible debts.

Business had also declined, so the main board decided the subsidiary should go into receivership. The two others, Sageline and Sage Brent, would follow suit because of loans between the companies.

The continuing businesses, notably Versatile Fittings and Potrafke which provide shop-

fittings and check-out systems, had made a profit of £900,000 before exceptional and extraordinary costs of £730,000. Annual turnover would amount to about £25m, said Mr Aitken.

Losses after tax and extraordinary costs at the discontinued businesses amounted to £4.2m.

Bank borrowings had reached £13m in September. The bulk of that was related to the companies in, or destined for, receivership.

There is no interim dividend. Last year it was 3.5p.

Budgens profits drop to £0.5m

By John Thornhill

BUDGENS, the food retailer which runs the trading cart, collapsed last autumn in the midst of an investigation into its affairs and those of Mr Nadir.

Mr Jacques Antenen, the examining magistrate, will ask questions on behalf of the SFO. Its request for Swiss judicial assistance has been passed by the federal justice ministry in Bern and approved by authorities in the canton of Vaud.

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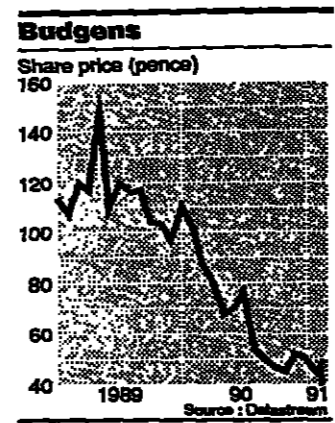
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of which price inflation accounted for 4.5 per cent.

Mr John Fletcher, chairman, said the move to the new distribution centre at Wellington had gone very well and that costs were still being taken out of the business; last week the company shed 80 temporary staff.

Since May, Budgens has

opened three new stores and refurbished another four, but claims that the "very tight" property market has curtailed plans to raise cash from sale and leaseback deals.

"We are just not prepared to accept yields of over 10 per cent at the moment," Mr Fletcher said.

Interest charges rose to £2.17m (£1.87m) although this included £386,000 (£419,000) of capitalised interest. Borrowings at half-year were £34m - giving a gearing of 80 per cent - although they are expected to fall to £31m by the year end following a reduction in working capital.

Earnings per share dived from 8.7p to 0.4p.

COMMENT
Since the collapse of the takeover bid from William Low almost two years ago, Budgens has been trying to carve out a niche for itself as a neighbourhood grocery chain.

Whatever the attractions of the concept - and it has its detractors - the company has been unable to back its development as much as it would have liked because of distribution disruptions, high borrowing and now, it seems, an inability to progress with its sale and leaseback programme.

All this has prolonged the company's attempts to get back on an even keel and in order to do so it may first have to bolster its balance sheet, although it is difficult to see precisely how.

Pre-tax profits this year may only limp ahead to £1.5m, giving a fairly meaningless prospective p/e of 30.

The shares, down by 6p yesterday to 40p, look as though they will drift further, although Sir Ron Brinkley, who has suggested his shareholding up to 17.5 per cent and the promised final dividend will provide some kind of floor.

Bank of Ireland appoints new chief executive

By Kieran Cooke in Dublin

Bank of Ireland, the Republic's second biggest banking institution, has appointed Mr Patrick Molloy as its new group chief executive.

Mr Molloy, 53, has been with Bank of Ireland for more than 20 years. He succeeds Mr Mark Hely Hutchinson, who resigned last November following the announcement of a plunge in profits to £115.8m (£93.5m) in the six months to September 30. Mr Molloy now faces an uphill task in trying to restore

the bank's fortunes. It has been badly hit by losses at First New Hampshire Banks in the US, bought for £230m in mid-1988. It also faces mounting losses in its UK operations. Earlier this year it announced it was to cut back on its credit finance operations in the UK.

When the bank was restructured into four divisions in 1988 Mr Molloy became head of Irish retail operations, with his territory increased last year to include Great Britain.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Current dividend	Current dividend	Total dividend	Total dividend
Amstrad	0.4	Apr 17	0.4	0.4	0.8	0.8
Amstrad PLC	2.5	Apr 17	2.5	2.5	5.0	5.0
Becton Dickinson	1.2	May 8	1.2	1.2	2.4	2.4
Budgens	0.4	May 8	0.4	0.4	0.8	0.8
Courtney Pope	0.4	May 8	0.4	0.4	0.8	0.8
Dickie (James)	0.4	May 8	0.4	0.4	0.8	0.8
Dudley Jenkins	0.4	May 8	0.4	0.4	0.8	0.8
Fleming O'Connell	0.4	May 8	0.4	0.4	0.8	0.8
Hunter Print	0.4	May 8	0.4	0.4	0.8	0.8
Leslie Wise	0.4	May 8	0.4	0.4	0.8	0.8
Manchester Ship	0.4	May 8	0.4	0.4	0.8	0.8
Reuters	0.4	May 8	0.4	0.4	0.8	0.8
Tyndall Hodge	0.4	May 8	0.4	0.4	0.8	0.8
Union Square	0.4	May 8	0.4	0.4	0.8	0.8

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. \$USM stock.

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- September 2 - 6
EXCHANGE-RATE AND INTEREST-RATE ECONOMICS AND FORECASTING
- September 9 - 13
BOND PORTFOLIO AND INTEREST-RATE RISK MANAGEMENT
- September 16 - 20
INVESTMENT APPLICATIONS OF FINANCIAL FUTURES AND SWAPS
- September 23 - 27
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UK COMPANY NEWS

Further cutbacks as HunterPrint's losses top £18m

By Jane Fuller

HUNTERPRINT Group, the printing company, rescued late last year by a new management team and a £13.8m share issue, incurred a pre-tax loss of £18.6m in the 12 months to September 30.

This followed a loss of £2.2m in the previous year when an interim dividend of 3p was paid. That was the last dividend payment made by the company, which is now headed by Sir Ian MacGregor, former chairman of British Steel and the National Coal Board.

Sales fell from £85.4m to £62.1m, reflecting the exclusion of the financial printing division, which has been sold off. Operating losses increased from £1.5m to £11.9m and interest payments totalled £3.9m compared with a small income.

The group's problems date back to a £34m project, hatched in 1988, to build a new printworks for its magazine and catalogue division at Corby, involving the transfer of production from two other sites.

Sir Ian said changes were still taking place because manufacturing for the special products division (direct mail and inserts) was being moved to Corby, involving the closure of another factory.

Between September and January the group's workforce was cut from 689 to 608. The

Corby factory, which accounted for most of last year's £9.7m operating losses at continuing businesses, was now working at two thirds of its capacity.

Mr Jonathan Stuart, finance director, said last December's £13.8m share issue had wiped out the year-end bank debt. But a further £4m borrowings had been incurred to pay creditors. Shareholders' funds after the issue stood at £2m, giving gearing of 50 per cent, but when leasing obligations are included gearing rises to more than 140 per cent.

Sir Ian said interest payments had been considerably reduced. "The group should make a profit after interest on a monthly basis at some time this year."

The savings made in labour and other production costs would add up to £2m in a full year, he said.

About 55 per cent of sales comes from the magazine and catalogue division, the rest is split between special products and Hardy Business Forms.

Exceptional costs were £2.8m; extraordinary ones came to £7.2m. The loss per share was 22.18p (loss of 12.65p).

COMMENT

While the new management



Sir Ian MacGregor: changes are still taking place

has set about cutting costs with skill and alacrity, other parts of the profit-restoration equation may prove less tractable. Although the balance sheet has been revised, interest payments may still approach £3m this year, adding to the mountain to climb in overhauling £9.7m of operating losses. To build up revenue, HunterPrint will have to increase its share of a depressed market. Print prices have fallen, magazines are closing and competition is tough. At least customers now

have faith that HunterPrint is going to survive, and the number of estimates given to potential clients is rising. A tentative forecast for the current year is that the pre-tax loss will be cut to £5m or £6m. Sir Ian and other new investors have bought into the group at 10p per share. They must believe that they can either restore its independent fortunes or turn the Corby factory into an attractive selling proposition. Those wishing to join them would be doing so on a speculative basis.

Beckenham weathers industry downturn

By Michio Nakamoto

A DECISION to focus on high margin businesses helped the Beckenham Group, which is involved in the manufacture of ductwork systems and specialist distribution, weather the industry downturn and post a 44 per cent rise in pre-tax profits for the year to October 31.

In the face of depressed UK market conditions, the group saw profits rise from £3.5m to £5.6m from turnover of £8.8m to £14.5m (£79.3m). Earnings per share on a fully diluted basis slipped to 7.5p (9p). A recommended final dividend of 1.5p makes a same-again 3p total.

Mr Christopher Eggleton, chairman, said the group expected to take advantage of its strong financial position and make further acquisitions both inside and outside its existing operations. Gearing is less than 15 per cent.

The chairman said that the firm results were due to the company's clear policy of pursuing high margins rather than volume. Pre-tax profit margins rose from 4.9 per cent to 6.6 per cent.

The group also benefited from being in a late cycle business, while the concern on the part of customers about the financial state of its smaller competitors had brought it additional business. Barbery, the hand tool distributor which was acquired for £14m in January 1990, made a 10-month contribution to the results.

The decision to concentrate on high margin businesses was behind the sale in November of Beckenham, the mechanical and electrical services contracting subsidiary, which resulted in an extraordinary loss of about £3m.

The difficulty at Beckenham of controlling cash flow, the relatively low turnover of £50m and operating margins of 2 per cent, made the sale worthwhile even at a loss, Mr Eggleton said.

A policy of focusing on businesses that are, or have the potential to be, market leaders was also behind the sale. The group has market leadership in ductwork manufacturing and in specialist distribution, while Barbery is number two in the hand tool distribution field.

The manufacturing division, involved in ductwork for heating and air conditioning systems in commercial buildings, was the largest contributor to the results, providing 65 per cent of the group's operating profit.

However, businesses overall had performed better as a result of having very clear financial objectives to work towards, which had been beneficial in the difficult market environment, Mr Eggleton said.

He warned, however, that "we are not immune to the deepening recession," and added that the group would work to ensure that cash resources were conserved, as margins were likely to come under pressure.

Union Square

Union Square, the USM-quoted property company, reported a pre-tax loss of £1.07m (£1.41m profit) for the half year to September 30 1990.

The main reason for the deficit was interest incurred on loans for the group's Bloomsbury Plaza development, which cannot be capitalised except where value clearly exceeds cost. There is no interim dividend (0.4p).

Resort Hotels calls for £12.1m to fund new acquisitions

By Maggie Urry

RESORT HOTELS, the rapidly expanding hotel group, yesterday launched a £12.1m rights issue to provide funds to make acquisitions, taking advantage of "the current exceptional opportunities in the sector."

It is Resort's third rights issue since coming to the stock market in March 1988. It has also issued shares to buy hotels.

This cash call is on a 3-for-5 basis, involving the issue of 25.4m shares at 50p each. However, the shares, listed on the main market since late 1989, only fell 4p to 65p on the news.

Resort forecast pre-tax profits for the year to end-April of "not less than £4.5m" compared to £3.8m in 1989-90, but analysts expect that earnings per share will be down by as much as 1p on the 9.25p made last time because of the extra shares in issue.

A final dividend of 2.2p was

forecast to give a total of 3.4p (3.25p).

Mr Robert Feld, managing director, said the group was relatively unaffected by the slump in international tourism since hostilities began in the Gulf because only 3 per cent of customers came from overseas.

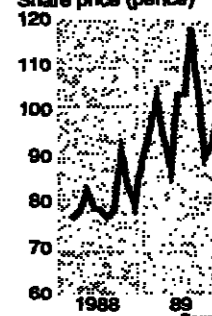
However, he said that problems being faced by other hotel groups meant that a number were for sale and that prices were falling.

Resort has 34 properties of which 14 are owned by the group and 20 managed for the owners - Johnson Fry Business Expansion Schemes. The hotels are in the southern part of England and Wales, although the group is expanding into the Midlands.

Also announced yesterday was a further Johnson Fry Business Expansion Scheme, which plans to raise £7.5m to invest in 10 hotels which will

Resort Hotels

Share price (pence)



Source: Datastream

be managed by Resort for a fee. Mr Feld said the issue would initially cut Resort's gearing from 34 per cent to 6 per cent, but the plan would be to borrow again. He said the group was comfortable with gearing of 50 per cent.

Tyndall recovers in second half

By Clare Pearson

TYNDALL HOLDINGS, the financial services group, has announced its first set of results since writing off its investment in Tyndall Australia, the troubled Antipodean life assurance company.

Pre-tax profits recovered to £1.5m in the six months to end-December, compared with £429,000 in the first half, making £1.58m (£2.8m) for the year.

The company is proposing a capital reconstruction to eliminate a £58.5m deficit on its profit and loss account which precludes it from paying dividends. It is also changing its year-end from end-December to end-April.

The first six months, Tyndall took an £11.48m below-the-line charge, of which Australia accounted for £3.36m. In the absence of this, the second six months showed a profit after extraordinary items of £766,000, although the loss for the year

was £10.7m (profit of £2.96m). Central costs rose to £2.64m (£2.27m) for the year, but were down at £791,000 for the second half. Tyndall said they were now running at £1m on annual basis.

Operating profits were marginally ahead at £4.63m (£4.5m). The contribution from the banking and trust division was relatively stable at £3.95m.

Investment management, which was reorganised towards the end of the year with the establishment of the Tyndall Global Fund in Luxembourg, put in £572,000 (£565,000).

Earnings per share came to 1.41p (5.3p), of which 1.38p related to the second half.

Mr Kevin Kenny, who became managing director last September after the departure of former chief executive Mr Garret Harrison, said the results showed Tyndall putting in a "credible" performance in the second half.

Tyndall announced last month that one of the buyers of Tyndall Australia was GPG, a subsidiary of Industrial Equity (Pacific), a vehicle for Sir Ron Brierley, the New Zealand entrepreneur and also the owner of 13 per cent of Tyndall's shares.

The other is Barnam, a company representing four members of Tyndall Australia's management.

The deal involved a payment by GPG to Tyndall of £33.7m (£1.5m), being the unpaid liability on the partly-paid shares.

An option has also been issued to Barnam to buy Tyndall's residual 37.5 per cent holding in the fully-paid and issued ordinary shares. Full exercise will result in a payment of either £57.2m or £58.7m, depending on when it is exercised.

Shareholders are to vote on the capital reconstruction and disposal proposals on March 15.

Pilkington to close NZ sheet glass plant

By Maggie Urry

Pilkington, the glass company, is closing its sheet glass plant in New Zealand because cheap imports from China and other parts of Asia have driven it into losses.

The plant was opened in 1964 and used the old-fashioned labour-intensive sheet method. Pilkington invented the float process of making glass in 1959 and the New Zealand plant was its last window glass sheet plant.

Originally the New Zealand business was protected by tariffs, but their removal allowed cheaper float glass into the market.

Pilkington said the plant, in Whangarei in the North Island, had been profitable until last year but was projected to run at an annual loss of NZ\$4m (£1.21m). The closure will mean the loss of 180 jobs.

The group has about half the New Zealand market for domestic and horticultural glass, and will supply it in future from its two float plants in Australia or elsewhere. This will take up some spare capacity at other plants. The closure will not affect Pilkington's distribution and automotive safety glass production in New Zealand.

Leslie Wise climbs 19% despite depressed market

By David Owen

LESLIE WISE, the textiles, women's clothing and knitted fabrics group, shrugged off unfavourable trading conditions to report a 19 per cent advance in annual pre-tax profits.

The Leicester-based company said that the results demonstrated its ability to "respond quickly and effectively" to changing circumstances.

"With strong financial resources the company is well supported for a further short term deterioration in market conditions," said Mr Leslie Wise, chairman.

Taxable profits for the year to November 30 climbed to £4.98m (£4.17m). This was in spite of a reduction from £160,000 to £50,000 in net inter-

est received and a "severely depressed" market. Turnover was ahead from £34.56m to £43.7m.

The merchandising division, which mainly comprised Leslie Wise and Tomorrow's Textiles Today, had maintained market share and lifted both turnover and profit.

The garment unit, meanwhile, had "held its position in the market" in spite of pressure on margins. It also benefited from a full-year contribution from Beathurst/Verna Spence.

Earnings per share advanced by 14 per cent to 9.96p (8.72p). A final dividend of 2.35p is recommended, making a total of 4p (3.5p).

The shares climbed 3p to 64p.

Board changes at Devenish

Mr John Clark has been appointed deputy chairman and commercial director of JA Devenish, the west country brewer. He was previously the company's finance director.

He will be responsible for developing and implementing the group's business strategy. Mr Michael Cannon, chairman and chief executive, said at the company's annual meeting.

Mr Clark's immediate tasks will include a reassessment of the group's loss-making brewery at Redruth and the development of its pub estate within a tighter capital expenditure programme.

Mr Cannon said the results for the first quarter had been satisfactory but added that the second quarter had started more slowly.

Lloyds Chemists buys rival for £5.8m

By David Owen

LYOYDS CHEMISTS has swallowed another smaller rival with the purchase of Barley Chemists Holdings for £5.57m.

The deal will swell the UK's second largest chain of retail chemists and drugstores to more than 600. Barley operates 19 retail chemist stores in the Home Counties.

The transaction is to be financed by the issue of 3.03m new Lloyds shares.

These are to be placed, together with a further 2.38m

shares that the Warwickshire-based group is issuing for cash, with institutional and other clients by Panmure Gordon at 184p.

This will increase the number of Lloyds shares outstanding by 11.3 per cent.

The shares closed yesterday at 194p - down 2p on the day.

Lloyds said that the £4.39m raised over and above the purchase price would be used to "develop and improve" the new stores, as well as to

continue the development programme for existing outlets.

In the short term, the funds would be used to reduce borrowings, which totalled £16.9m at the June 30 year-end.

Lloyds said that it would convert the Barley stores, which are in locations where it had no previous representation, to operate as Lloyds Chemist outlets.

In the year to December 31 1989, Barley made pre-tax profits of £45,000 and had net

assets, including intangibles, of £804,000.

The deal is Lloyds' first acquisition of substance since it bought Cross & Herbert, the seventh largest UK chemist chain, last June for £23.2m.

At the group's AGM in November, Mr Allen Lloyd, chairman and chief executive, said that total group sales for the July 1 to November 10 period were 29 per cent higher than in 1989 and that gross margins "continue to improve."

EUROPEAN FINANCE & INVESTMENT PORTUGAL

The FT proposes to publish this survey on

23rd April 1991.

It will be of particular interest to the 89% of the Institutional Investors in Europe who are regular FT readers. If you want to reach this important audience, call Henry Krzymuski on 071 873 3699 or fax 071 873 3079.

FT SURVEYS

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from 11th February 1991 to 13th May 1991, the Notes will bear a Rate of Interest of 13.5625% per annum. The amount of interest payable on 13th May 1991 will be £169.07 per £5,000 Note and £1690.67 per £50,000 Note.

AGENT BANK CHARTERHOUSE BANK LIMITED

A member of The Securities Association

CHARTERHOUSE

TELEPHONE 071-828 7233 AFCD MEMBER

FTSE 100 WALL STREET

Feb. 2270/2280-25 Feb. 2874/2886-17

Mar. 2290/2030-25 Mar. 2879/2891-16

5pm Prices. Change from previous 5pm close

HOW WELL DID YOU JUDGE THE MARKET?

The Bonnier Group AB has sold

Kent Dental, Inc.

to

Rugby Darby Group Companies, Inc.

The undersigned served as transaction advisor to The Bonnier Group.

BOOZ ALLEN ACQUISITION SERVICES
BOOZ ALLEN & HAMILTON INC.

December 1990

BECHTEL CORPORATION

has sold its subsidiary

BECHTEL INFORMATION SERVICES, INC.
("SEC Express")

to

DISCLOSURE INCORPORATED
a subsidiary of
VNU B.V.

The undersigned served as transaction advisor to Bechtel by approaching potential purchasers and assisting in the negotiating and closing activities.

BOOZ ALLEN ACQUISITION SERVICES
BOOZ ALLEN & HAMILTON INC.

January 1991

Bonnier Information Services
a subsidiary of
The Bonnier Group AB
and
Verlag Hoppenstedt GmbH & Co. KG

have through a joint venture formed

Hoppenstedt Bonnier Information NV

On behalf of Bonnier Information Services, the undersigned approached the partner, assisted in developing the joint venture structure, and in negotiating and closing the transaction.

BOOZ ALLEN ACQUISITION SERVICES
BOOZ ALLEN & HAMILTON INC.

February 1991

مكتبة الأصيل

LONDON STOCK EXCHANGE

Early gain reversed by profit-taking

AN ATTEMPT in early trading to carry the advance in UK equities above the FT-SE 2,300 mark proved to be a step too far, or perhaps too soon, yesterday, and the UK stock market finally gave ground as recent interest rate optimism cooled somewhat. Early deals saw the index jump 29.9 to 2,308.9 but sellers quickly appeared, especially when the stock futures market opened and the premium on the March FT-SE contract slipped back from its previous closing level.

The market sharply reversed its gain, swinging downwards by a net 50 points at worst. It was already moving into negative territory within the first hour of calculation of the Footsie index. Selling was persistent, albeit on a moderate scale, traders said that there was on offer from both fund

Account Dealing Dates		
First Dealing	Feb 11	Feb 26
Second Dealing	Feb 21	Mar 7
Third Dealing	Feb 22	Mar 8
Fourth Dealing	Feb 27	Mar 13
Fifth Dealing	Mar 6	Mar 13

managers and private investors. By mid-session, the Footsie was down by nearly 19 points, and about 40 points below the 2,300 mark.

However, marketmakers were also very active as they seized the long-awaited opportunity to pick up stock. The market steadied without difficulty and reduced its loss to only eight points, despite nervousness ahead of the opening of the new Wall Street session.

In the event, New York

better than predicted at first, and only when the Dow extended its loss to 12 points in London hours did the UK market slip lower again. The final reading put the FT-SE index at 2,264.5, a loss of 14.5 on the day. Seaq volume increased to 582.5m shares from Monday's 478.4m.

A leading dealer at a merchant bank commented that his clients were almost entirely sellers. This suggested that most of the buying had come from marketmaking houses which have been short of stock since the market burst ahead from the Footsie 2,100 area.

Equity strategists professed to be unsurprised by yesterday's check to the rise in equities. Interest rate optimism was restrained by a cooler tone in London money markets, but this only coincided with the

cautious reception from analysts for Monday's news of an unexpectedly sharp rise in January producer prices.

The morning meeting at Barclays de Zoete Wedd was told of doubts that a cut in rates is imminent. "Politics and economics both argue for a bit more patience," BZW has downgraded its corporate earnings forecast to indicate a fall of 6 per cent for 1990 and a further 5 per cent dip this year.

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FINANCIAL TIMES STOCK INDICES

	Feb 82	Feb 81	Feb 80	Feb 79	Feb 78	Feb 77	Year High	1980/81	1979/80	1978/79	1977/78	1976/77	1975/76	1974/75	1973/74	1972/73	1971/72	1970/71	1969/70	1968/69	1967/68	1966/67	1965/66	1964/65	1963/64	1962/63	1961/62	1960/61	1959/60	1958/59	1957/58	1956/57	1955/56	1954/55	1953/54	1952/53	1951/52	1950/51	1949/50	1948/49	1947/48	1946/47	1945/46	1944/45	1943/44	1942/43	1941/42	1940/41	1939/40	1938/39	1937/38	1936/37	1935/36	1934/35	1933/34	1932/33	1931/32	1930/31	1929/30	1928/29	1927/28	1926/27	1925/26	1924/25	1923/24	1922/23	1921/22	1920/21	1919/20	1918/19	1917/18	1916/17	1915/16	1914/15	1913/14	1912/13	1911/12	1910/11	1909/10	1908/09	1907/08	1906/07	1905/06	1904/05	1903/04	1902/03	1901/02	1900/01	1899/00	1898/99	1897/98	1896/97	1895/96	1894/95	1893/94	1892/93	1891/92	1890/91	1889/90	1888/89	1887/88	1886/87	1885/86	1884/85	1883/84	1882/83	1881/82	1880/81	1879/80	1878/79	1877/78	1876/77	1875/76	1874/75	1873/74	1872/73	1871/72	1870/71	1869/70	1868/69	1867/68	1866/67	1865/66	1864/65	1863/64	1862/63	1861/62	1860/61	1859/60	1858/59	1857/58	1856/57	1855/56	1854/55	1853/54	1852/53	1851/52	1850/51	1849/50	1848/49	1847/48	1846/47	1845/46	1844/45	1843/44	1842/43	1841/42	1840/41	1839/40	1838/39	1837/38	1836/37	1835/36	1834/35	1833/34	1832/33	1831/32	1830/31	1829/30	1828/29	1827/28	1826/27	1825/26	1824/25	1823/24	1822/23	1821/22	1820/21	1819/20	1818/19	1817/18	1816/17	1815/16	1814/15	1813/14	1812/13	1811/12	1810/11	1809/10	1808/09	1807/08	1806/07	1805/06	1804/05	1803/04	1802/03	1801/02	1800/01	1799/00	1798/99	1797/98	1796/97	1795/96	1794/95	1793/94	1792/93	1791/92	1790/91	1789/90	1788/89	1787/88	1786/87	1785/86	1784/85	1783/84	1782/83	1781/82	1780/81	1779/80	1778/79	1777/78	1776/77	1775/76	1774/75	1773/74	1772/73	1771/72	1770/71	1769/70	1768/69	1767/68	1766/67	1765/66	1764/65	1763/64	1762/63	1761/62	1760/61	1759/60	1758/59	1757/58	1756/57	1755/56	1754/55	1753/54	1752/53	1751/52	1750/51	1749/50	1748/49	1747/48	1746/47	1745/46	1744/45	1743/44	1742/43	1741/42	1740/41	1739/40	1738/39	1737/38	1736/37	1735/36	1734/35	1733/34	1732/33	1731/32	1730/31	1729/30	1728/29	1727/28	1726/27	1725/26	1724/25	1723/24	1722/23	1721/22	1720/21	1719/20	1718/19	1717/18	1716/17	1715/16	1714/15	1713/14	1712/13	1711/12	1710/11	1709/10	1708/09	1707/08	1706/07	1705/06	1704/05	1703/04	1702/03	1701/02	1700/01	1699/00	1698/99	1697/98	1696/97	1695/96	1694/95	1693/94	1692/93	1691/92	1690/91	1689/90	1688/89	1687/88	1686/87	1685/86	1684/85	1683/84	1682/83	1681/82	1680/81	1679/80	1678/79	1677/78	1676/77	1675/76	1674/75	1673/74	1672/73	1671/72	1670/71	1669/70	1668/69	1667/68	1666/67	1665/66	1664/65	1663/64	1662/63	1661/62	1660/61	1659/60	1658/59	1657/58	1656/57	1655/56	1654/55	1653/54	1652/53	1651/52	1650/51	1649/50	1648/49	1647/48	1646/47	1645/46	1644/45	1643/44	1642/43	1641/42	1640/41	1639/40	1638/39	1637/38	1636/37	1635/36	1634/35	1633/34	1632/33	1631/32	1630/31	1629/30	1628/29	1627/28	1626/27	1625/26	1624/25	1623/24	1622/23	1621/22	1620/21	1619/20	1618/19	1617/18	1616/17	1615/16	1614/15	1613/14	1612/13	1611/12	1610/11	1609/10	1608/09	1607/08	1606/07	1605/06	1604/05	1603/04	1602/03	1601/02	1600/01	1599/00	1598/99	1597/98	1596/97	1595/96	1594/95	1593/94	1592/93	1591/92	1590/91	1589/90	1588/89	1587/88	1586/87	1585/86	1584/85	1583/84	1582/83	1581/82	1580/81	1579/80	1578/79	1577/78	1576/77	1575/76	1574/75	1573/74	1572/73	1571/72	1570/71	1569/70	1568/69	1567/68	1566/67	1565/66	1564/65	1563/64	1562/63	1561/62	1560/61	1559/60	1558/59	1557/58	1556/57	1555/56	1554/55	1553/54	1552/53	1551/52	1550/51	1549/50	1548/49	1547/48	1546/47	1545/46	1544/45	1543/44	1542/43	1541/42	1540/41	1539/40	1538/39	1537/38	1536/37	1535/36	1534/35	1533/34	1532/33	1531/32	1530/31	1529/30	1528/29	1527/28	1526/27	1525/26	1524/25	1523/24	1522/23	1521/22	1520/21	1519/20	1518/19	1517/18	1516/17	1515/16	1514/15	1513/14	1512/13	1511/12	1510/11	1509/10	1508/09	1507/08	1506/07	1505/06	1504/05	1503/04	1502/03	1501/02	1500/01	1499/00	1498/99	1497/98	1496/97	1495/96	1494/95	1493/94	1492/93	1491/92	1490/91	1489/90	1488/89	1487/88	1486/87	1485/86	1484/85	1483/84	1482/83	1481/82	1480/81	1479/80	1478/79	1477/78	1476/77	1475/76	1474/75	1473/74	1472/73	1471/72	1470/71	1469/70	1468/69	1467/68	1466/67	1465/66	1464/65	1463/64	1462/63	1461/62	1460/61	1459/60	1458/59	1457/58	1456/57	1455/56	1454/55	1453/54	1452/53	1451/52	1450/51	1449/50	1448/49	1447/48	1446/47	1445/46	1444/45	1443/44	1442/43	1441/42	1440/41	1439/40	1438/39	1437/38	1436/37	1435/36	1434/35	1433/34	1432/33	1431/32	1430/31	1429/30	1428/29	1427/28	1426/27	1425/26	1424/25	1423/24	1422/23	1421/22	1420/21	1419/20	1418/19	1417/18	1416/17	1415/16	1414/15	1413/14	1412/13	1411/12	1410/11	1409/10	1408/09	1407/08	1406/07	1405/06	1404/05	1403/04	1402/03	1401/02	1400/01	1399/00	1398/99	1397/98	1396/97	1395/96	1394/95	1393/94	1392/93	1391/92	1390/91	1389/90	1388/89	1387/88	1386/87	1385/86	1384/85	1383/84	1382/83	1381/82	1380/81	1379/80	1378/79	1377/78	1376/77	1375/76	1374/75	1373/74	1372/73	1371/72	1370/71	1369/70	1368/69	1367/68	1366/67	1365/66	1364/65	1363/64	1362/63	1361/62	1360/61	1359/60	1358/59	1357/58	1356/57	1355/56	1354/55	1353/54	1352/53	1351/52	1350/51	1349/50	1348/49	1347/48	1346/47	1345/46	1344/45	1343/44	1342/43	1341/42	1340/41	1339/40	1338/39	1337/38	1336/37	1335/36	1334/35	1333/34	1332/33	1331/32	1330/31	1329/30	1328/29	1327/28	1326/27	1325/26	1324/25	1323/24	1322/23	1321/22	1320/21	1319/20	1318/19	1317/18	1316/17	1315/16	1314/15	1313/14	1312/13	1311/12	1310/11	1309/10	1308/09	1307/08	1306/07	1305/06	1304/05	1303/04	1302/03	1301/02	1300/01	1299/00	1298/99	1297/98	1296/97	1295/96	1294/95	1293/94	1292/93	1291/92	1290/91	1289/90	1288/89	1287/88	1286/87	1285/86	1284/85	1283/84	1282/83	1281/82	1280/81	1279/80	1278/79	1277/78	1276/77	1275/76	1274/75	1273/74	1272/73	1271/72	1270/71	1269/70	1268/69	1267/68	1266/67	1265/66	1264/65	1263/64	1262/63	1261/62	1260/61	1259/60	1258/59	1257/58	1256/57	1255/56	1254/55	1253/54	1252/53	1251/52	1250/51	1249/50	1248/49	1247/48	1246/47	1245/46	1244/45	1243/44	1242/43	1241/42	1240/41	1239/40	1238/39	1237/38	1236/37	1235/36	1234/35	1233/34	1232/33	1231/32	1230/31	1229/30	1228/29	1227/28	1226/27	1225/26	1224/25	1223/24	1222/23	1221/22	1220/21	1219/20	1218/19	1217/18	1216/17	1215/16	1214/15	1213/14	1212/13	1211/12	1210/11	1209/10	1208/09	1207/08	1206/07	1205/06	1204/05	1203/04	1202/03	1201/02	1200/01	1199/00	1198/99	1197/98	1196/97	1195/96	1194/95	1193/94	1192/93	1191/92	1190/91	1189/90	1188/89	1187/88	1186/87	1185/86	1184/85	1183/84	1182/83	1181/82	1180/81	1179/80	1178/79	1177/78	1176/77	1175/76	1174/75	1173/74	1172/73	1171/72	1170/71	1169/70	1168/69	1167/68	1166/67	1165/66	1164/65	1163/64	1162/63	1161/62	1160/61	1159/60	1158/59	1157/58	1156/57	1155/56	1154/55	1153/54	1152/53	1151/52	1150/51	1149/50	1148/49	1147/48	1146/47	1145/46	1144/45	1143/44	1142/43	1141/42	1140/41	1139/40	1138/39	1137/38	1136/37	1135/36	1134/35	1133/34	1132/33	1131/32	1130/31	1129/30	1128/29	1127/28	1126/27	1125/26	1124/25	1123/24	1122/23	1121/22	1120/21	1119/20	1118/19	1117/18	1116/17	1115/16	1114/15	1113/14	1112/13	1111/12	1110/11	1109/10	1108/09	1107/08	1106/07	1105/06	1104/05	1103/04	1102/03	1101/02	1100/01	1099/00	1098/99	1097/98	1096/97	1095/96	1094/95	1093/94	1092/93	1091/92	1090/91	1089/90	1088/89	1087/88	1086/87	1085/86	1084/85	1083/84	1082/83	1081/82	1080/81	1079/80	1078/79	1077/78	1076/77	1075/76	1074/75	1073/74	1072/73	1071/72	1070/71	1069/70	1068/69	1067/68	1066/67	1065/66	1064/65	1063/64	1062/63	1061/62	1060/61	1059/60	1058/59	1057/58	1056/57	1055/56	1054/55	1053/54	1052/53	1051/52	1050/51	1049/50	1048/49	1047/48	1046/47	1045/46	1044/45	1043/44	1042/43	1041/42	1040/41	1039/40	1038/39	1037/38	1036/37	1035/36	1034/35	1033/34	1032/33	1031/32	1030/31	1029/30	1028/29	1027/28	1026/27	1025/26	1024/25	1023/24	1022/23	1021/22	1020/21	1019/20	1018/19	1017/18	1016/17	1015/16	1014/15	1013/14	1012/13	1011/12	1010/11	1009/10	1008/09	1007/08	1006/07	1005/06	1004/05	1003/04	1002/03	1001/02	1000/01	999/00	998/99	997/98	996/97	995/96	994/95	993/94	992/93	991/92	990/91	989/90	988/89	987/88	986/87	985/86	984/85	983/84	982/83	981/82	980/81	979/80	978/79	977/78	976/77	975/76	974/75	973/74	972/73	971/72	970/71	969/70	968/69	967/68	966/67	965/66	964/65	963/64	962/63	961/62	960/61	959/60	958/59	957/58	956/57	955/56	954/55	953/54	952/53	951/52	
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LONDON SHARE SERVICE

BANKS, HP & LEASING

1990/91	Stock	Price	Div	Yield	P/E
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45

Hire Purchase, Leasing, etc.

1990/91	Stock	Price	Div	Yield	P/E
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45

BEERS, WINES & SPIRITS

1990/91	Stock	Price	Div	Yield	P/E
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45

BUILDING, TIMBER, ROADS

1990/91	Stock	Price	Div	Yield	P/E
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45

BUILDING, TIMBER, ROADS

1990/91	Stock	Price	Div	Yield	P/E
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45

CHEMICALS, PLASTICS

1990/91	Stock	Price	Div	Yield	P/E
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45

DRAPERY AND STORES

1990/91	Stock	Price	Div	Yield	P/E
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45

BUILDING, TIMBER, ROADS

1990/91	Stock	Price	Div	Yield	P/E
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45

ELECTRICALS - Contd

1990/91	Stock	Price	Div	Yield	P/E
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45

ELECTRICITY

1990/91	Stock	Price	Div	Yield	P/E
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45

ENGINEERING

1990/91	Stock	Price	Div	Yield	P/E
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45

ENGINEERING - Contd

1990/91	Stock	Price	Div	Yield	P/E
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45

FOOD, GROCERIES, ETC

1990/91	Stock	Price	Div	Yield	P/E
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45

HOTELS AND CATERERS

1990/91	Stock	Price	Div	Yield	P/E
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45

INDUSTRIALS (Misc.)

1990/91	Stock	Price	Div	Yield	P/E
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45

INDUSTRIALS (Misc.) - Contd

1990/91	Stock	Price	Div	Yield	P/E
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45

INDUSTRIALS (Misc.)

1990/91	Stock	Price	Div	Yield	P/E
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45

INDUSTRIALS (Misc.) - Contd

1990/91	Stock	Price	Div	Yield	P/E
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45

INSURANCES

1990/91	Stock	Price	Div	Yield	P/E
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45

LEISURE

1990/91	Stock	Price	Div	Yield	P/E
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45
100	ABN AMRO NV	124.5	1.25	1.0	12.45

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هكذا من الأهل

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Bundesbank leads dollar higher

INTERVENTION By European central banks pushed the dollar higher yesterday, leaving it hovering around DM1.4500. Monday's comments by Mr. Helmut Schlesinger, deputy president of the Bundesbank, had indicated that the German central bank was not keen to support the dollar and is happy that a strong D-Mark will ensure German price stability.

Yesterday's intervention therefore caught the foreign exchanges by surprise, but was not particularly aggressive. Many European central banks, including the Bank of England and Bank of France, joined in, but by last night's close in London there was no sign of the US Federal Reserve in the market.

Traders are waiting for today's data on January US retail sales, amid speculation that a fall in retail demand will put further downward pressure on the dollar.

At last night's close in London the dollar had improved to DM1.4530 from DM1.4450; to Y128.25 from Y127.70; to Sfr1.2445 from Sfr1.2360; and to FF4.9525 from FF4.9275. On Bank of England figures the dollar's index rose to 59.4 from 59.3.

Sterling weakened against the dollar, but it gained a little ground against its partners in

the European Monetary System. Expectations that tomorrow's figures on UK unemployment and Friday's retail price index for January will lead to cuts in London bank base rates have weighed on the pound recently, but trends in European rates do not support this view.

The pound fell 55 points to \$1.9920, while rising to DM2.8500 from DM2.8375; to FF9.8650 from FF9.8425; to Y255.50 from Y255.00. Sterling's index climbed 0.1 to 94.3.

Within the EMS exchange rate mechanism the pound remained the weakest currency. The Spanish peseta stayed at the top of the system as a sharp rise of 1.2 per cent in January Spanish consumer prices suggested a continuation of firm monetary policy by the Bank of Spain. Spain's annualised inflation rate rose to

6.7 from 6.5 per cent.

In Paris the French franc gained ground against the D-Mark at the fixing, while staying the second weakest currency in the ERM. The German currency fell to FF3.4068 from FF3.4085.

The Bank of France offered to borrow funds from the domestic banking system yesterday as an apparent signal that the authorities are not keen to encourage the recent slide in wholesale money rates. In common with sterling, the French franc's position - as the second weakest member of the ERM - does not leave the authorities with room to cut interest rates, despite speculation that domestic considerations favour lower rates.

At yesterday's money market tender the Bank of France left its intervention rate at 9.25 per cent and its five to 10-day repurchase rate at 10 per cent

EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	Rate	% Change	% Change	% Change
Spanish Peseta	133.431	128.576	-3.78	5.29	56
Belgian Franc	40.332	42.143	-4.50	1.98	37
German Mark	2.3636	2.3636	0.00	0.00	0
French Franc	6.5595	6.5595	0.00	0.00	0
Italian Lira	2036.27	2036.27	0.00	0.00	0
Portuguese Escudo	200.482	200.482	0.00	0.00	0
Irish Punt	7.8756	7.8756	0.00	0.00	0
Spanish Punt	166.639	166.639	0.00	0.00	0
Spanish Punt	166.639	166.639	0.00	0.00	0
Spanish Punt	166.639	166.639	0.00	0.00	0

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Previous day's open, Cals 2059 Pts 21370

FINANCIAL FUTURES AND OPTIONS

LIFE LINE CREDIT FUTURES OPTIONS

L20,000 units @ 100%				
Strike Price	Call settlements		Put settlements	
	Mar	Jun	Mar	Jun
89	3.51	4.55	0.01	0.57
90	2.52	4.06	0.02	0.52
91	1.57	3.25	0.07	1.07
92	1.03	2.49	0.17	1.31
93	0.31	3.14	0.45	1.60
94	0.13	1.18	1.27	2.30
95	0.04	1.23	3.18	3.05
96	0.01	1.02	3.15	3.48
Estimated volume totals: Calls 1807 Puts 1645				
Previous day's open int. Calls 22420 Puts 18034				

CANADA

	Stock	High	Low	Close	Change
30	Ranger	\$7 1/2	7 3/4	7 3/4	
75	Rayrock I	\$7 1/2	7 1/2	7 1/2 - 1/2	
40	Reidman A I	\$14 1/2	14	14 1/2 - 1/2	
35	Reidman	\$18 1/2	18	18 1/2 + 1/2	
40	Reign I	\$8 1/2	8 1/2	8 1/2 - 1/2	
40	Reign II	\$18 1/2	18 1/2	18 1/2 - 1/2	
30	Rogers S I	\$8 1/2	8	8 - 1/2	
30	Roman	145	145	145 - 10	
30	Rothman	\$48 1/2	48	48 1/2 + 1/2	

20	Royal Seal	\$25.25	25.25	25.25	+
21	Fry Tico	38	7.8	7.8	+
22	SHL Syst	38.5	8.5	8.5	+
23	SNC A I	\$14.14	14	14.14	+
24	SHL Cam A	\$14.14	14.14	14.14	+
21	Sanioli	\$12.12	12	12.12	+
20	Scaprio	380	38	375	+
22	Soot Paper	\$17	17	17	+
20	Scotia B	\$18.18	18	18.18	+
23	Scangram	\$108	107	107.2	+
27	Seams Can	\$20.20	10.2	10.2	+
200	Shew C B	\$11.11	11	11.11	+
200	Shew Can	\$40	38	38.75	+
27	Sherrill	\$70	7.1	7.1	+
200	Southern	\$20.20	20	20.1	+
20	Stern	\$12.12	12	12.12	+

8356 Stock A	\$70 1/2	9 1/2	76	- 1/2
8357 Stock B	\$21 1/2	20 1/2	21 1/2	+ 1/2
109 Tenback A	50 1/2	9 1/2	8 1/2	+ 1/2
104 ThonCor	\$17 1/2	18 1/2	17	
571 Tor Den Bk	\$18 1/2	18 1/2	18 1/2	- 1/2
990 Tor Sen	\$17	18 1/2	17	+ 1/2
1050 Torstar B	\$22 1/2	26	27	+ 1/2
4400 Total Pl	\$25 1/2	25 1/2	25 1/2	
7000 TotalUs A	\$13 1/2	13 1/2	13 1/2	
5555 TrGen PL	\$16 1/2	16 1/2	16 1/2	
2350 Trigen A	\$17 1/2	17 1/2	17 1/2	
4455 Trimec	\$17 1/2	17 1/2	17 1/2	
2200 Trigen A	\$18 1/2	18	18	+ 1/2
5700 Trizac B	\$16 1/2	18 1/2	18 1/2	
5515 UnigazCo	\$10	30	30 1/2	+ 1/2

1200 Un Carbid	\$18 1/2	18 1/2	18 1/2 - 1/2
1431 Un Corp	\$32 1/2	31 1/2	32 + 1 1/2
1578 Varsity C	285	275	280 + 5
2200 Victory R	420	420	420 - 5
500 WSC B /	\$14	13 1/2	13 1/2 - 1/2
102 Winkwood	\$15	15	15 - 1/2
1250 Woodco E	\$20	19 1/2	18 1/2 + 1/2
1800 Westmin	\$75	250	375 + 125
2300 Weston	\$42 1/2	42	42 + 1/2
2425 Woodco A	225	215	225 + 5

(- No voting rights or restricted voting)

Feb. 7	1990-91	
	HIGH	LOW
1344.5	1713.7 (2/1/90)	1204.5 (6/1/90)
584.3	860.8 (5/1/90)	361.6 (6/1/90)

0	434.61	703.29 (19/3/90)	393.54 (16/3/90)
7	5086.87	6599.43 (12/1/90)	4664.84 (12/1/90)
4	326.25	368.29 (20/7/90)	382.26 (20/7/90)
0	358.4	677.3 (23/1/90)	348.4 (19/1/90)
0	426.62	564.62 (30/5/90)	394.88 (15/5/90)
5	1598.22	2129.32 (28/4/90)	1403.17 (15/4/90)
3	616.49	832.32 (19/7/90)	569.69 (28/7/90)
3	1754.7	2610.8 (19/4/90)	1632.5 (15/4/90)

82	1436.26	1968.55	03/3/90	1322.66	U
89	3333.98	3559.89	02/17/90	2738.24	Q
22	1217.82	1893.18	02/11/90	1114.86	G
81	519.55	763.52	01/4/90	486.26	G
88	24184.43	38712.88	04/1/90	20221.86	Q
28	1785.86	2867.70	04/1/90	1523.43	Q
24	2641.03	4477.16	04/7/90	2499.15	G
43	519.58	632.22	01/8/90	459.88	G

4.3	232.8	271.9 (207/900)	221.4 (162/900)
1.3	170.2	206.3 (32/900)	162.3 (0/900)
6.9	649.70	915.13 (2/890)	610.45 (0/900)
1.72	857.51	1160.70 (21/390)	514.80 (0/900)
1.17	352.12	446.87 (16/790)	301.45 (0/900)
75.0	1030.0	2230.0 (16/190)	976.0 (0/900)
50.0	3029.0	3211.0 (6/290)	2640.0 (0/900)
1.38	1.38	1.38 (1/190)	1.38 (0/900)

0.62	239.61	309.74	136/7/90	289.37
75.8	964.0	1329.9	6/7/90	808.4
45.0	640.9	845.5	13/7/90	596.4
48.8	544.9	698.2	13/7/90	487.1
0.04	4384.19	12495.34	13/2/90	2360.47
8.36	728.44	1143.78	02/7/90	544.38
800.4	571.0	08/7/90	423.1	

Price: 4540.92, Korea Comp Ex. 631.27.
 *Calculated at 15.00 GWT.
 JSE Overall and OAX - 1,000, JSE Gold - 255.
 ing - 500; (c) Closed, (d) Unavailable.

3pm
Febru

Stock	Div.	Ex	100s	high	Low	Chg
ProMed	.50	12	35	5 1/4	5 1/4	5
ProGen			120	5 1/4	5 1/4	5
PropCT	2.00s	103	7 1/2	7	7	7

- R-R -						
RSW			86	6 1/4	6 1/4	1
RoCap		10	38	15	14 1/2	1
RoEgl	pr1.50		1	10 1/4	10 1/4	1
RoEpl	1		450	5 1/2	5 1/2	1
RoEpl			118	8 1/4	8 1/4	1
Rogers	.12		12	10	10 1/2	1
RoEick	.40s	11	57	25 1/2	25 1/2	2

- S-S -						
SS			100	10 1/2	10 1/2	1

STW	1.32	5	8	20%	3	2%
SFT 383cvt			736	3	2%	
SFT 383cvt			731	2	2%	
SNk 383cvt			3021	16%	15%	
SNk 383cvt			863	17%	16%	
SNk 383cvt			5794	3%	2%	
SalPhb n			89	3	3	
Sbarro		31	82	38%	38%	
ScandC			29	4%	4%	
ScudOp	.50	8	29	136%	136%	
Sales	.Vtr	11	175	12%	12	
SlerGIS		56	1516	120%	79%	
SoUCo n			25	14%	14%	
SpeedOp			34	3	3	
Spelling		31	36	4%	4%	
StoGpa		5	45	4%	4%	
			1452	2	2	

Summe Synchron	40	7	32	8%	84
			- T - T -		
THE			542	7-18	5-15
TH			24	14	14
TPC			244	84	84
TabPred	.40	19	174	114	114
Taen	14	13	50	144	134
Taen	.28	47	230	34	334
Teletap		8	316	24	2
Thermid		75	391	13	124
ThCar a		24	55	165	164
Thrin		24	207	175	174
TimeCo		9	40	74	75
TotPred	.80	19	375	214	215
TotPe		6	30	2	2

Tublock	60	6 1/2	6 1/2
TmB A s	240	15 1/2	14 1/2
TmB B s	208	14 1/2	13 1/2
- U - U -			
Unicorp	8	1 1/2	3-18
UFOG-A 23a	4	1 1/2	1 1/2
US Bio	1328	23 1/2	22 1/2
US Cell	33	20	19 1/2
UnwPat	32	5	4 1/2
- V - W -			
VHT	15	1 1/2	1 1/2
Vifach	8	1 1/2	1 1/2
Vaporcon	71	25	11-15
Vision-A	175	25	24 1/2

VindB n	91	23%	23%
WangB	3618	3%	3%
WangC	7	5%	5%
WangD	150	6%	6%
WangE	25	15	45 u19
WangF	12	1	2%
WangG	44	8	26 10%
WangH	14	115	17%
WangI	30	5%	5%
WangJ	452	6%	6%
WangK	6	19	11%
WangL	-X-Y-Z	214	18%
WangM			15%

100

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Continued on Page 25

NYSE COMPOSITE PRICES

12 Month	Stock	Div. Yld. %	100 Share	Low	High	Close	Change	12 Month	Stock	Div. Yld. %	100 Share	Low	High	Close	Change
Continued from previous page															
100	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	100	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
101	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	101	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
102	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	102	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
103	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	103	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
104	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	104	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
105	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	105	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
106	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	106	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
107	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	107	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
108	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	108	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
109	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	109	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
110	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	110	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
111	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	111	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
112	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	112	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
113	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	113	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
114	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	114	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
115	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	115	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
116	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	116	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
117	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	117	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
118	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	118	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
119	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	119	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
120	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	120	IBM	4.2	120.00	118.00	120.00	119.00	-1.00

NASDAQ NATIONAL MARKET

3pm prices February 12

12 Month	Stock	Div. Yld. %	100 Share	Low	High	Close	Change	12 Month	Stock	Div. Yld. %	100 Share	Low	High	Close	Change
Continued from previous page															
100	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	100	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
101	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	101	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
102	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	102	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
103	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	103	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
104	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	104	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
105	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	105	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
106	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	106	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
107	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	107	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
108	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	108	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
109	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	109	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
110	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	110	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
111	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	111	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
112	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	112	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
113	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	113	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
114	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	114	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
115	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	115	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
116	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	116	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
117	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	117	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
118	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	118	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
119	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	119	IBM	4.2	120.00	118.00	120.00	119.00	-1.00
120	IBM	4.2	120.00	118.00	120.00	119.00	-1.00	120	IBM	4.2	120.00	118.00	120.00	119.00	-1.00

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